1011

97 Y 4
Ap 6/1
In 8/16/1982/pt.6B

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR 1982

DOCUMENTS
JUL 23 1981
REL LIBRARY
S STATE UNIVERSITY



HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

NINETY-SEVENTH CONGRESS

FIRST SESSION

SUBCOMMITTEE ON THE DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES

SIDNEY R. YATES, Illinois, *Chairman*

CLARENCE D. LONG, Maryland
JOHN P. MURTHA, Pennsylvania
NORMAN D. DICKS, Washington
LES AuCOIN, Oregon
JOSEPH M. McDADE, Pennsylvania
RALPH S. REGULA, Ohio
TOM LOEFFLER, Texas

FREDERICK G. MOHRMAN, ROBERT S. KRIPOWICZ, D. NEAL SIGMON, and KATHLEEN R. JOHNSON, *Staff Assistants*

PART 6B

(Pages 739-1567)

TESTIMONY OF PUBLIC WITNESSES

	Page
National Endowment for the Arts and Humanities	739
Energy Conservation	1088
Members of Congress	1367

Printed for the use of the Committee on Appropriations



AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR 1982

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

NINETY-SEVENTH CONGRESS

FIRST SESSION

SUBCOMMITTEE ON THE DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES

SIDNEY R. YATES, Illinois, *Chairman*

CLARENCE D. LONG, Maryland
JOHN P. MURTHA, Pennsylvania
NORMAN D. DICKS, Washington
LES AuCOIN, Oregon

JOSEPH M. McDADE, Pennsylvania
RALPH S. REGULA, Ohio
TOM LOEFFLER, Texas

FREDERICK G. MOHRMAN, ROBERT S. KRIPOWICZ, D. NEAL SIGMON, and KATHLEEN R. JOHNSON, *Staff Assistants*

PART 6B

(Pages 739–1567)

TESTIMONY OF PUBLIC WITNESSES

	Page
National Endowment for the Arts and Humanities	739
Energy Conservation	1088
Members of Congress	1367

Printed for the use of the Committee on Appropriations

U.S. GOVERNMENT PRINTING OFFICE

76-703 O WASHINGTON : 1981

COMMITTEE ON APPROPRIATIONS

JAMIE L. WHITTEN, Mississippi, *Chairman*

EDWARD P. BOLAND, Massachusetts
WILLIAM H. NATCHER, Kentucky
NEAL SMITH, Iowa
JOSEPH P. ADDABBO, New York
CLARENCE D. LONG, Maryland
SIDNEY R. YATES, Illinois
DAVID R. OBEY, Wisconsin
EDWARD R. ROYBAL, California
LOUIS STOKES, Ohio
TOM BEVILL, Alabama
BILL CHAPPELL, Florida
BILL ALEXANDER, Arkansas
JOHN P. MURTHA, Pennsylvania
BOB TRAXLER, Michigan
JOSEPH D. EARLY, Massachusetts
CHARLES WILSON, Texas
LINDY (MRS. HALE) BOGGS, Louisiana
ADAM BENJAMIN, JR., Indiana
NORMAN D. DICKS, Washington
MATTHEW F. McHUGH, New York
BO GINN, Georgia
WILLIAM LEHMAN, Florida
JACK HIGHTOWER, Texas
MARTIN OLAV SABO, Minnesota
JULIAN C. DIXON, California
VIC FAZIO, California
W. G. (BILL) HEFNER, North Carolina
LES AuCOIN, Oregon
DANIEL K. AKAKA, Hawaii
WES WATKINS, Oklahoma
WILLIAM H. GRAY, III, Pennsylvania
BERNARD J. DWYER, New Jersey
SILVIO O. CONTE, Massachusetts
JOSEPH M. McDADE, Pennsylvania
JACK EDWARDS, Alabama
JOHN T. MYERS, Indiana
J. KENNETH ROBINSON, Virginia
CLARENCE E. MILLER, Ohio
LAWRENCE COUGHLIN, Pennsylvania
C. W. BILL YOUNG, Florida
JACK F. KEMP, New York
RALPH S. REGULA, Ohio
CLAIR W. BURGENER, California
GEORGE M. O'BRIEN, Illinois
VIRGINIA SMITH, Nebraska
ELDON RUDD, Arizona
CARL D. PURSELL, Michigan
MICKEY EDWARDS, Oklahoma
BOB LIVINGSTON, Louisiana
BILL GREEN, New York
TOM LOEFFLER, Texas
JERRY LEWIS, California
CARROLL A. CAMPBELL, JR., South Carolina
JOHN EDWARD PORTER, Illinois

KEITH F. MAINLAND, *Clerk and Staff Director*

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR 1982

WEDNESDAY, MARCH 25, 1981.

NATIONAL ENDOWMENT FOR THE ARTS AND HUMANITIES

OPENING STATEMENT

Mr. YATES. This hearing concerns appropriations for the National Endowment for the Arts and Humanities. I would like to welcome all of you who have come here to testify today. The committee is continuing a practice we began last year of listening to those from the arts and humanities community who wish to express their support for the Endowments. This takes place prior to the hearings by the committee of the witnesses who come before us to present the budget that has been approved by the Office of Management and Budget for consideration by the Congress.

I want first to acknowledge the presence of that marvelous choir that we have been listening to in the hall. They come from my home city of Chicago. They are called the Chicago Children's Choir. They consist of 43 voices, boys and girls who are aged between 11 and 18 from all over the city of Chicago, from all kinds of economic, racial and cultural backgrounds. They are directed by Christopher Moore and they are accompanied by Richard Mueller. I think they are a marvelous collection of talent and I want them to know that we appreciate very much the testimony that they have given to the committee this morning. I thought it was beautiful.

I made a statement yesterday prior to the hearing. We have with us today members of the committee. Mr. Regula, my good friend from Ohio, has conscientiously supported the the arts and humanities in the past. We hope for and anticipate his support in this fiscal year as well. We need it this year more than we have in prior years because I must say in all conscience that I cannot escape the conclusion that this administration is bent upon a destruction of the Endowments.

It is not just a demand for a 50 percent cut. Apart from the destructive impact which a cut in funds of that magnitude might have with respect to the programs that the Endowment has supported over the years, it seems to me that a cut of this size must tear apart the splendid group of administrators that have been gathered painstakingly over a period of time and who together make up one of the finest groups of administrators I have ever seen in the Endowments.

Why do I say that? Why do I come to this conclusion? There are several reasons for it. First of all there is the President's own statement that he made. I heard him at the White House over the weekend and at Ford's Theatre.

I quote from The Washington Post of March 23 an article which says:

> Ronald Reagan set the theme Saturday afternoon at the beginning of the long day celebration on behalf of Ford's Theatre, and he repeated it near the end. The message was that the performing arts must stop looking to the Government for support but he put it in positive form: "In this country," he said in the East Room of the White House, "we have maintained by voluntary contributions more musical groups, more orchestras, more ballet and opera companies, more nonprofit theater,

more cultural institutions such as libraries, than all of the countries of the world put together."

That may be true and it probably is true although I have not been able to gather the statistics justifying that from many sources. We are still working on it and we hope to sustain that view but I am willing to accept that.

However, more than that statement is one that I saw in a statement attributed to Mr. Stockman early in his incumbency in which he placed the Endowments among his lowest-priority items.

Among the agencies which appear before our Appropriations Committee is the Department of Energy, and we will hear Secretary Edwards on Friday of this week. We have begun to check into the appropriation for the Department of Energy, and I am struck by what can only be described as the destruction of that agency because of all the Assistant Secretaries that were authorized for that agency, only one for Government affairs has been appointed. About 10 or 12 have not yet been appointed and a representative for Government affairs has been appointed. That agency seems to me to be floundering around.

At any rate, I am glad to have all of you here today, those of you who are appearing both in support of the arts, and perhaps there will be some as there were yesterday who appeared in opposition to the humanities.

I want to read from a statement that was made in 1962 by Joseph Wood Crutch which would seem to me to quite graphically depict what may be or seems to be the Administration's attitude. I hope I am wrong in this respect. I hope that this is only an evidence of what it conceives to be budgetary need, although as I indicated it seemed to me that it was attitude rather than need or philosophy rather than need to which the President's and Mr. Stockman's remarks were directed.

Mr. Crutch said this in his statement:

> A late 19th Century tycoon is said to have remarked in all simplicity that America had no need of artists since we were in a position to buy from Europe all the treasures of the past which we had any use for, and though there were only a few who had arrived at a conviction so clear and concise, those who thought or even did not think at all on the subject assumed that artistic creation and artistic appreciation were frills, well enough underway but left best to elegant, otherwise-unemployed women and to those male misfits who were somehow incapable of doing the world's work, while virile and capable men devoted their energies to inventing machines, building factories and accumulating wealth.

If, as the second Samuel Butler said, Englishmen supported the vicars of the Church of England in order to have someone to be virtuous for them vicariously, so even the more enlightened members of the American plutocracy were willing to do no more than give rather contemptuous support to those who would vicariously create or admire art for them.

The assumption that the arts are but are actually no more than ornaments and graces superimposed upon the solid structure of a civilization is of all assumptions the most stultifying. The most dangerous enemy of intellectuality as well as of artistic creation is neither the exponent of science and technology nor, on the other hand, the simple Philistine. The most dangerous enemy is the one who pays lip service to art as somehow desirable enough as long as it is regarded as the mere graceful embellishment of a prosperous

life, rather than as an activity which since the first emergency man has been a concern of every fully developed human being.

As president George Shuster has so wisely said:

A civilizing education cannot aim or wish to produce a Nation composed exclusively of saints, philosophers and artists, but it ought to aim at producing one in which every educated man can to some extent participate in the experience of the saint, the philosopher and the artist.

I want, too, to close my opening statement with a statement that President Kennedy made in 1962 when he addressed himself to the question of Government support for the arts. In the course of his remarks he said this:

A nation's government can expect to play only an indirect and marginal role in the arts. Government's essential job, the organization and administration of great affairs, is too gross and unwieldy for the management of individual genius but this does not mean that Government is not or should not be concerned with the arts.

A free government is the reflection of a people's will and desire and ultimately of their taste. It is also at its best a leading force, an example and teacher. I would like to see everything Government does in the course of its activities marked by high quality. I would like to see the works of Government represent the best our artists, designers and builders can achieve. I want to make sure that policies of Government do not indirectly or unnecessarily put barriers in the way of the full expression of America's creative genius.

The arts in the United States are, like so many of our activities, varied and decentralized to a high degree. Private benefactors, foundations, schools and colleges, business corporations, the local community, the city and the State, combine in widely different proportions to offer and support the institutions of culture.

I would hope that in the years ahead, as our cultural life develops and takes on new forms, the Federal Government would be prepared to play its proper role in encouraging cultural activities throughout the Nation.

In support of President Kennedy's thesis, the Endowments have been unique in the Federal system in the bipartisan support which they have received over the years, both in Congress and in the White House, since their establishment in 1965. Presidents Johnson, Nixon, Ford, and Carter, who were men of radically differing philosophies on the purpose and function of Government, all recognized that a proper responsibility of the national Government is the encouragement and enrichment of the human mind and spirit, and that creativity in our people is a thing to be celebrated and cherished.

These Presidents for each of the past 15 years have requested increased amounts for support of our cultural heritage and development, and each year the Congress, Democrats and Republicans alike, have overwhelmingly approved those appropriations. We have a different situation today, and I must say that I am very pleased to see the outpouring of support and outpouring of sentiment for these hearings this morning.

Perhaps other members of the committee want to make a statement. If not, I will proceed with the witnesses.

Dr. Long would like to make a statement.

Mr. LONG. During World War II, an assemblage of artists were once asked in a rather sneering way what they were doing for the war effort, and the reply was, "Sir, we are what you are fighting for." That is a pretty good estimate of why we are here today. We are here to justify continuation of the arts in spite of tremendous numbers of onslaughts on those arts with all kinds of justifications which may or may not seem reasonable to many people.

Mr. YATES. Thank you, Dr. Long.

Any statements by other members of the committee?
[No response.]

BUSINESS WITNESSES

EDWARD M. BLOCK, VICE PRESIDENT, AMERICAN TELEPHONE & TELEGRAPH CO.
KENNETH ALBRECHT, VICE PRESIDENT, EQUITABLE LIFE ASSURANCE SOCIETY

Mr. YATES. Our first witness this morning is Mr. Edward M. Block, who is Vice President of the American Telephone and Telegraph Company.

Hello, Mr. Block. We are glad to see you again. I have been quoting the testimony you gave us last year all over the country because I thought it was not only interesting but profound in its support for the arts. I think it gave a vision of how a great American corporation views its role in the scene of the cultures of the country, and we are glad to welcome you again.

Without objection, your statement will be made a part of the record.

[The statement follows:]

TESTIMONY OF

EDWARD M. BLOCK, PRESIDENT

THE AMERICAN COUNCIL FOR THE ARTS

Mr. Chairman and members of the subcommittee, my name is Edward M. Block. I am president and a member of the board of directors of the American Council for the Arts. I am also a vice president of the American Telephone & Telegraph Company. In the latter capacity, I am the officer responsible for corporate contributions, community relations and cultural support programs. I welcome the opportunity to appear before you today.

I should like to make some observations and speculations with respect to the extent to which proposed reductions in Federal funding of the arts may encourage or diminish the prospects for financial support from private sources.

First, let me quote from a declaration of the Congress contained in the enabling legislation which created the Endowments. The Congress said, in part: ". . . the encouragement and support of national progress . . . in the arts, which primarily is a matter for private and local initiative, is also an appropriate matter of concern to the Federal government."

Mr. Chairman, I agree with that stated intent of Congress. But I have some difficulty reconciling it with what appear to be contrary assumptions underlying proposals recommended by the new Administration.

Is it, or isn't it, national policy to continue to encourage the American public in its growing appreciation and appetite for the arts? If not, are budget considerations the sole motivating factor for abandoning the old policy. If, on the other hand, it remains national policy to encourage the arts, is it now timely and desirable to so drastically reduce the Federal government's role that private leadership, in partnership with state and local government, must assume virtually the whole task.

In my judgment, these are the questions which now confront you. The issue is not merely a matter of appropriations for FY 1982. The real issue is one of national policy, intent and priorities.

There is a potentially divisive issue here. Namely: will an immediate 50% reduction in Endowment funding together with the elimination of IMS be perceived as the result of ideological considerations or economic considerations? If the Federal government gives authority to the notion that the arts are merely frivolous diversions to be indulged in good times but abandoned in bad times, I strongly suspect that the private sector will not be disposed toward heroic

efforts to pick up the shortfall. Furthermore, the arts -- and the artists -- themselves will not readily surrender their claim to supportive national policies if it is their own legitimacy rather than the adequacy of the public treasury that is being called into question. If the issue is clearly specified as one of economic policy -- and only that -- I am certain that the arts would not contend that their needs are so exceptional as to require dispensation from the economic realities of the times. I am also certain that local, state and regional leadership, including the business community, will not wholly abandon their support of the arts. They must have reassurance, however, that the Federal government is with them in spirit, and will reassume its supportive efforts as and when the economy improves.

In short, it is, in my view, entirely reasonable for Congress to cooperate with the new Administration in its efforts to combat the corrosive effects of inflation, I find no reason to exempt the arts from that process. But neither do I find warrant for, in effect, making an example of the arts by uncritically acquiescing in budget cuts which by any test are mammoth in scale. Such an abrupt cut would be punitive, and would only be understood in ideological terms. Such cuts, in the near term, would impose insurmountable economic burdens on states, cities and the private sector, if the arts are to be encouraged as they have been and ought to be.

I think it should also be noted in passing that the arts may very appropriately be considered in economic terms, as they are in most communities. The arts generate employment, pay taxes, purchase goods and services, make capital investments and in every conventional way contribute to the synergy necessary to an healthy economy. Indeed, the arts comprise a huge, diverse, coast-to-coast, multi-billion dollar industry, employing more than one million persons. Is it illogical, then, to argue that ill-considered, short-term economic strategies could not only be counter-productive but irreparably damage a national treasure?

Let me turn, then, to the realities of FY 1982: the consequences of adopting a 50% reduction in the NEA budget. And let me put to rest, if I can, the myth that the Endowment by its very existence creates disincentives to private support for the arts.

All of the available evidence leads to the conclusion that the Endowment is accomplishing exactly what the Congress had in mind from the outset: to give leadership, focus and complementary assistance to the goals of making the arts more widely available and more broadly supported throughout America.

I personally find compelling evidence in one recent summary of data which shows that in the past 15 years state and local government appropriations have risen from inconsequential levels to $170 million; aggregate private giving has risen from $266 million to $2.7 billion; Foundation giving has risen from $66 million to $188 million; and corporate support has risen from $22 million to more than half a billion.

Inasmuch as virtually all NEA grants are "challenge grants," it would defy credibility to conclude that such stunning increases from local, state and private sources are occurring in spite of the work of the Endowment. Furthermore, numerous case histories -- some of which have recently been presented to this subcommittee -- demonstrate how often a modest seed gift from the Endowment paves the way for an outpouring of community support from private sources.

Mr. Chairman, the professional fund raisers I know find incomprehensible the suggestion that "leadership" or "challenge" gifts diminish the potential for broad based support. Their experience is just to the contrary.

I am also prepared to say on the basis of my own experience that a challenge grant from NEA is very often a "trigger" for serious consideration of a corporate contribution and may significantly and positively influence our final decision -- especially with respect to the merits of projects we would not otherwise be competent to evaluate.

As I have already indicated, a year-over-year reduction of 50% in the NEA budget, effective FY 1982, is unlikely to be offset by private benefactors, with corporations presumably absorbing the lions' share of the shortfall.

In the business community -- no less than in the Congress -- new projects requiring substantial funding are not adopted casually or quickly.

Even were there a consensus that Federal fiscal policies require a further shifting of the burden of arts support to the private sector, and even if the business community were disposed to take the lead in assuring that support, it is unlikely that so massive a fund-raising effort could be launched successfully in time to avoid serious damage.

A task of such scale would require extensive organization, salesmanship, agreement on fund raising targets industry by industry and company by company, on a national as well as a community basis. It would require specific authorizations by boards of directors and concurrence by shareowners. Furthermore, the sheer scale of the task would require not just more money from the presently-committed companies but new commitments by

new companies. And very likely it would require some new mechanisms for establishing community priorities so as to avoid a wasteful fund raising free-for-all between various arts groups.

Remember, too, this hugh new effort would necessarily have to be in addition to the remarkable progress the business community already is achieving in support of the arts and would be on top of increases required merely to maintain the effective level of current commitments in the face of double-digit inflation.

For planning purposes, suppose we assume that the business community would have to make up at least one third of the funding now provided or made possible through NEA beginning in FY 1982. And suppose we further assume that the business community would maintain its current pace of increased arts support, including inflation adjustments. The resultant target for business would be an aggregate, annual funding of the arts of approximatley ($1 billion) beginning in January 1983.

Mr. Chairman, as a planning assumption, that's a proposition I wouldn't want to take to the bank were I responsible for the budget of a museum, a major orchestra or any other kind of community arts institution.

I should remind you, also, that that estimate grossly understates the magnitude of the problem we face in adjusting to new Federal fiscal policies in a relatively short time-frame. For example, if we assume that the rate of growth of the Federal budget will be reduced virtually across the board and further assume that the private sector must somehow pick up a portion of the shortfall at the community and state level, it readily can be seen that the business community will shortly be confronted with added demands for support of a variety of human services aside from the arts. Business will be asked to assist further in assuring health care services, educational programs, transportation needs, employment opportunities for the unemployed and underemployed, and in a whole host of other areas. And it is not unreasonable to suppose that to whatever extent additional taxes are required to support essential local and state services, the business community will be among the first to be asked to pay more.

It therefore seems to me, Mr. Chairman, that an abrupt cut off of as much as half the funds otherwise available to NEA in FY 1982 would not provide sufficient time for local and state government, together with the private sector, to arrange for adequate funding of the arts -- even assuming a common resolve to do so. The likely effect of such a cut back will be financial distress in arts institutions, large

and small. A few will surely fail. Still others will have to drastically reduce operations merely to survive. All will feel the pinch and will respond by aggressive and, occasionally, destructive competition for new sources of funds. Many cities and states whose budgets are already stretched to the limit -- and beyond -- will be confronted with yet another category of human services which cannot be readily or adequately provided for.

Obviously, this is an harsh and painful assessment. But I believe it to be accurate.

All of which is to say that, setting aside for the moment the question of whether or not it is desirable to do so, it nonetheless may be feasible to reduce the Federal government's role in assisting the arts while at the same time establishing a new and sufficient equilibrium between the private sector and the three levels of government. But, to do so without risk of serious damage to the arts would require a carefully phased approach in which needs, on the one hand, and resources, on the other, were coordinated over some lengthier period of time.

Under the circumstances, Mr. Chairman, I would respectfully urge you and your colleagues to apply four criteria to your consideration of the proposed reduction in Federal arts support.

1. Does Federal support for the arts as heretofore projected for FY 1982 and beyond remain in accord with national policy?

2. Why must future Federal spending limits for the arts be proportionately lower than the targets for the budget as a whole, taking into account the fact that arts funding -- were it increased threefold or eliminated altogether -- would have no discernable effect on the rate of inflation or prospects for a balanced budget?

3. Can alternative sources of funding be expected to assume a larger share of arts support?

4. What prospective level of alternative funding can reasonably be achieved, and from what sources; what role, if any, does the Federal government have in facilitating a phased, coordinated national effort to achieve these levels?

Mr. Chairman, I am pleased to have been accorded this opportunity to share these views with you. I assure you I speak for the ACA as well as for my own company in saying we stand ready to assist you in any ways you may find helpful as you continue your deliberations.

Thank you.

TESTIMONY OF EDWARD BLOCK

Mr. YATES. You may proceed, Mr. Block.

Mr. BLOCK. Thank you, sir.

Mr. YATES. Are you accompanied by Mr. Albrecht?

Mr. BLOCK. This is Mr. Kenneth Albrecht.

Mr. YATES. Mr. Albrecht, we are glad to see you, too. Mr. Albrecht, you are Vice President of The Equitable Life Assurance Society, which I understand may not be quite as large as AT&T but is nevertheless one of the country's large corporations.

Mr. ALBRECHT. Yes, sir.

Mr. YATES. Go ahead, Mr. Block.

Mr. BLOCK. All right, sir.

I have filed my written statement. If I may, with your concurrence, Mr. Chairman, and that of the members, just make some observations that somewhat summarize my statement.

Mr. YATES. You may. We are glad to have your formal statement, which as I say is in the record. We are pleased to have whatever other remarks you want to make.

Mr. BLOCK. What I want to do is offer some speculations with respect to the question of whether proposed reductions in the Endowment funding will encourage or diminish the prospects for financial support from private sources, particularly the business community.

If I may, I will come at the subject from two dimensions: one is the question of national policy and what might be the role of the Government, and secondly from my own experience some of the practical considerations that I see involved in trying to encourage greater financial support from the private sector, particularly business.

On the matter of national policy, on which I am certainly not expert, I have at least this thought: It seems to me that the issue before you is not merely funding levels for fiscal 1982 but rather a question of, has the national policy changed or is it changing?

It seems to me there is a potentially very vexing issue right at the outset here. I would phrase it something like this: If policy is to change, why? Is it for ideological reasons or is it merely for current economic considerations?

I think there is a big question there because if the Federal Government unintentionally—and I am quite certain it would be unintentional—but if you untinentionally give authority to the notion that the arts are frivolous, as your opening statement suggested, that the arts are frivolous, that they are something that we indulge in good times and we abandon in bad times, I am quite certain that if that sort of a signal should go out from Washington the private sector is certainly not going to be disposed to heroic measures to make up the shortfall because that is not the kind of positive support that the private sector looks for.

Secondly, representing the American Council for the Arts as I am today, as president of that organization, I would have to say that the arts themselves, given a signal like that, are not going to surrender their rights to support of national policy. What I have in mind there is that if it is the legitimacy of the arts that is called into question, that is one thing; if it is merely the adequacy of the Federal treasury at the moment, that is quite another.

Where I come out on this is that I am quite certain that—if it is a case of an economic issue and not an ideological one—then I am quite certain that the arts do not seek dispensation from the economic realities of our times. I am quite certain that if it is cast as an economic issue the private sector will stretch to help during these times.

Therefore, I would hope that the debate moves forward and the issue is resolved in terms of the economic issues here and only the economic issues. In terms of the economic issues, just in passing, if I may say, it seems to me it is appropriate to think of the arts in economic terms, even the not-for-profit arts, because the arts generate employment. The arts generate tax revenues. he a arts make purchases of goods and services. The arts make capital investments. In every conventional way, the fact of the matter is the arts contribute to the synergy that is required for a healthy economy.

If the arts were really considered for what they represent in the United States, which is to say a huge, diverse, coast-to-coast, multibillion dollar industry employing one million persons, I think if they were looked at in those terms there would be at least a question in my mind whether the direction of national policy today would be toward greater incentives rather than maybe abandonment.

If I may turn quickly now to maybe what I am somewhat more competent to talk, and that is the consequences of a 50 percent reduction and what might happen in the private sector, first of all I would like to try to put to rest the myth that the Endowment by its very existence creates disincentives to giving in the private sector.

I have a summary of some data that we just pulled together which shows that if you go back 15 years to roughly the mid-sixties and look at what has happened to support for the arts, you see first of all that cities who gave only inconsequential amounts out of city budgets, by last year were giving at an annual rate of $170 million.

Private individuals had come from $226 million to $2.7 billion last year. Foundations had gone from $66 million to $180 million, and corporations, which were only giving about $22 million 15 years ago are now going at the rate of about half a billion dollars.

Now inasmuch as the Endowment's grants, virtually all of them must be matched, some one-for-one, some as much as three-for-one, I do not see how anyone could seriously believe that that stunning increase in support levels from all sources occurred in spite of what the Endowment is doing. That just does not make sense to me.

I also know from my own experience that a small seed grant from the Endowment frequently is the trigger for a large-scale fundraising effort that does provide most of the money that an arts institution requires. That is very conventional.

I just looked at our records in preparing for today, and this year alone we have made grants to arts institutions, 40 of them, all of which match Endowment grants. They started there.

Another thing is that the Endowment grant, the little seed grant, is very influential in many corporations in this sense: In corporations, we give to colleges and universities, health care services, the United Way, a whole range of causes. From my own experience, we probably have the least competency to make a

judgment on many arts proposals that come to us. Getting a proposal that has been endorsed in a sense by the Endowment and by authorities is very influential in the corporate world.

One last point if I may, sir: In terms of how well the private sector, particularly the business community, might do in picking up any shortfall, I took myself through a little exercise preparing for today. I said, "Suppose that my company was asked to take the leadership in a fundraising drive to make up the difference if you cut at the 50 percent level?"

I made the following assumptions: The business community, just arbitrarily, would have to pick up one third of the total shortfall from Endowment funds and funds that are made available because of Endowment grants. I made the further assumption that the pace of business increases that are already under way in giving to the arts would have to continue, and some adjustment for imflation.

I put that in my little pocket calculator and where it came out in a range of assumptions, and I will choose the most conservative, by January 1983, calendar 1983, the business community would have to be contributing to the arts at an annual rate of $1.1 billion. Now we are only at a half a billion right now, and what that says is that in not much more than a calendar year you would have to more than double the support levels.

Whether you want to or not, whether the business community would take the lead or not, the fact of the matter is that you cannot get there from here in that short of a period of time. That is an enormous organizing, sales task. You have to set targets by industry, by the community. You have to organize the whole thing. You could not make it happen in that short a period of time.

Therefore, Mr. Chairman, if I may, I would conclude simply by saying that it seems to me that there are some criteria that we in the arts and in the business community would hope you would employ in further considerations about the funding level.

First of all is that matter of national policy and what is it. It seems to me that if that policy required funding levels such as have been recommended only a few months ago, that might be a starting point to look at what the funding levels ought to be in 1982 and beyond.

Secondly, it seems to me that we ought to ask the question, why should funding targets for the arts, if they are to be lower, be any lower than funding targets for other components of the budget? I say that simply because what we really are talking about is a very small amount of money.

I think the Endowment budget is two-tenths of the Federal budget, so if you increase the endowment threefold or you eliminate it altogether, the outcome really would not have much to do with balancing the budget or controlling inflation.

Finally, and the most important, the thing I have tried to stress this morning is that whatever change may be made, we really do need to consider what are the alternative sources of fundings and to what extent can they be brought into the stream and on what kind of a time line, so that if there is to be a further shift into the private sector it is a coordinated one, so that Government policy and private sector giving stay in a reasonable degree of parallel. Otherwise, arts institutions large and small will surely be hurt.

Thank you, sir, and thank you for allowing me an opportunity to come before you.

Mr. YATES. I remember your testimony last year, too, in this respect. You testified last year that the business community looked to the Endowment for guidance and leadership in the kinds of contributions that might be made by the business community, that it did serve a purpose in giving that kind of guidance and advice. In the language of the Army, it is at the "point" where the arts support should go.

Do you still feel that same way?

Mr. BLOCK. Absolutely. I am sorry I did not express it more clearly because what I see, from my own experience and my colleagues in other companies, we do not have great armies of experts to evaluate the appeals that come to us. In this rapid buildup of arts support in the business community we are better able to judge, say, an appeal from a college or a university or the local hospital or whatever but arts, not so.

Therefore, the fact that the Endowment itself first of all has carefully thought through policies, has a sense of priorities, has competent experts that look at these appeals when we do get them—and we do—we are really not competent within our own judgment and we certainly do not have staff experts to look at them. The overall direction of the Endowment in identifying needs and the guidance of the Endowment in specific instances is very, very useful.

Mr. YATES. Thank you.

We will hear the testimony of Mr. Albrecht first and then we will have the committee's questions.

Mr. Albrecht, without objection your statement may be made a part of the record.

[The statement follows:]

TESTIMONY OF

KENNETH L. ALBRECHT, VICE PRESIDENT

THE EQUITABLE LIFE ASSURANCE SOCIETY OF THE UNITED STATES

My name is Kenneth L. Albrecht, I am a Vice President of The Equitable Life Assurance Society of the United States and have responsibility for its programs of charitable contributions, organized voluntarism, affirmative purchasing, community services, coordination of various urban initiatives, and the operation of our annual fund raising campaign on behalf of United Way. In the interest of full disclosure I should also state that I am a member of the Board of Independent Sector, the Council on Foundations,the New York Regional Association of Grantmakers and The Nature Conservancy. My comments today are intended to provide some information on corporate grantmaking.

Whatever the level of federal budget reductions that ultimately are approved, corporations will be looked to as a source of help for the loss of income many voluntary agencies will experience. It is my belief, based on almost ten years in this field, that corporations can and will do more, but they are not in a position to make up for the loss of federal funds by voluntary agencies or a significant portion of the loss, at least in the short-term.

It is essential to bear in mind that the foremost function of a corporation is to provide goods and services at a price people will pay and to operate profitably. In so doing companies fulfill what is probably their most important role - job creation.

With respect to corporate contributions, in the decade of the 70's, corporation giving tripled, according to Giving U.S.A., put out by the American Association of Fund Raising Counsel. From a level of $797 million in 1970 it grew to $2.45 billion in 1979. Each year of that decade corporate contributions increased, although from 1974 to 1975 only by $2 million. The biggest percentage increase was 25% from 1977 to 1978 when the amount went from an estimated $1.8 billion to $2.250 billion.

Corporate contributions are directly related to corporate profits. Generally, they increase in years of good profits and stay even or decline somewhat in years of poor profits. In 1980, for example, it is estimated that corporate contributions went up only about 4% over the previous year's level to about $2.55 billion.

According to the latest information from The Conference Board, approximately three-fourths of what corporations give, goes to the fields of health, human services and education. Civic activities including urban affairs get a little over 11%. Culture and the arts receive 10%, but the steady increase in this percentage in the early 1970's seems to have slowed down.

In recent years I think it is accurate to say that not only have corporations been doing more but they have been doing the job better. There have been increases in the professional staff for this function and others of a similar nature. There also has been growing cooperation in funding efforts between corporations and foundations and government. Indeed there has been for all three sources a much greater sharing of information and each has taken its turn in providing the catalytic money for one project or another.

Another area of growth with respect to corporate contributions is that of matching gifts. Under such programs, corporations match the gifts of their people to non-profit agencies in various fields. Over 850 corporations have such programs. Initially most corporations only matched gifts to higher education. However, the fields in which gifts are matched have been expanded by some companies to include hospitals and the arts. A few including Atlantic Richfield, Equitable, and Gulf & Western match gifts to almost any 501 (c) (3) organization other than those that are religious, fraternal or political. Another interesting aspect of matching programs has been the introduction of incentives by matching gifts on a two or, in a few instances, even three for one basis.

76-703 0 - 81 - 2 (6b)

Still another recent development has been the establishment of community services funds, which permit employees who are involved on a volunteer basis with an organization to ask their companies for a small grant for a one-time need of their agency. These programs go under various names such as Dollars for Doers, Involvement Funds, etc., and the number is growing.

Also it is worth keeping in mind that in addition to the dollars companies give directly to charities, they often provide many other kinds of assistance. Such help can be through voluntarism programs, the loaning of people on a full-time basis to a voluntary agency, the use of company facilities for meetings, and the printing of a brochure or a report by the company's printing shop. Still other examples are loans on a below-market basis, gifts of products. Of course, there also is the involvement of corporate people on a voluntary basis and on their own time on boards or perhaps just by helping with a mail-out.

Financial contributions, then, are only a part of the broad range of philanthropically related assistance that companies provide. With this background in mind it is easy to understand why corporations will be looked to for substantial assistance by voluntary agencies whose income will be reduced as a result of cuts in the federal budget.

There are many estimates around as to what the reductions in income will be for voluntary agencies. One guess I have heard is that the proposals currently before Congress would impact the income of voluntary agencies by around $6 billion per year. In this connection it is worth repeating that the total of corporate contributions in 1980 is thought to have been $2.55 billion.

The competition for any additional corporate contributions dollars will be keen, not only between various fields of endeavor, education, human services , health, the arts, the environment etc.; but also agencies within each one. Morever, choices will have to be made in order for companies to use wisely and effectively any additional grant monies available.

This set of circumstances presents an opportunity, it seems to me, for corporations to indicate their real interest in and commitment to the communities of which they are a part, and to the non-profit segment of the private sector. The opportunity to demonstrably show a high order of professional, targeted, effective grantmaking also is present.

Certainly it is my hope that there would be a generous response and that corporations will lift their sights with respect to financial contributions. I rather think a number will.

Yet I must say candidly that even if corporate financial contributions went up in 1981 by 10% the increase in funds that would be produced would be about $250 million compared with the estimated $6 billion impact of the proposed cuts. Since there already are several clear indications that this year will be one of economic slowdown, making increases in profits more difficult, I think such an increase unlikely.

I am suggesting, then, that while the corporate community can and in many cases will help with the shortfall in funding for voluntary agencies, it will not be able to pick up all that may be cut or even a significant portion of it. The corporate community is not an endless source of funds any more than the federal government is.

This leads me to mention what I think is the best hope for a quick infusion of money for voluntary agencies: the Charitable Contributions Legislation, H.R. 501 introduced by Congressmen Gephardt and Conable and S. 170 introduced by Senators Moynihan and Packwood. Under this proposed legislation, which now has 170 sponsors in the House and 18 in the Senate, individuals who do not itemize when they prepare their annual tax returns would be able to deduct their charitable contributions, which now is not the case.

Passage of these Bills would provide an incentive for all people to give. Significantly 85% of giving in the United States, which in 1980 is estimated to have totaled $47.74 billion, is by living individuals, half of it by people earning $20,000 or less per year. Moreover there is survey research which indicates that even those earning $15,000 to $20,000 who do itemize each year give on the average three times as much as those who do not. Then as I have mentioned previously there is the steady growth in corporate matching programs, and the liberalizations that are being introduced which raise the maximum amount to be matched, provide incentives to people to give and extend such programs to additional categories of individuals and agencies.

There are many estimates as to the impact of the passage of this legislation on giving, many figures exist and, of course, it would depend on the basis on which it is passed. If the Bills were passed at an early date and there was no phase-in of benefits, it could be that as much as four billion dollars more would be given to charities.

One might wonder whether people will indeed respond in times of urgency. Some recent evidence is certainly encouraging. Around the end of the year it was reported in the press that there was a significant increase in support for organizations concerned with equal opportunity, environmental and other advocacy efforts. Just recently the Wall Street Journal reported that an environmental group had experienced a 25% increase in its average contributions in the first few months of this year.

Another important reason for passage of the Charitable Contributions Legislation is that it would enhance diversity and pluralism in America, which have been so much a part of the fabric of this nation since its founding. And perhaps that really is what we might be focussing on- what can government, voluntary agencies, foundations and corporations do on their own and collaboratively to further pluralism, make it stronger, make it better.

Thank you, Mr. Chairman. I would be glad to answer any questions you may have.

TESTIMONY OF KENNETH ALBRECHT

Mr. ALBRECHT. Thank you, Mr. Chairman. You have mentioned that I am Vice President of the Equitable Life Assurance Society of the United States. My reponsibilities there are for our charitable contributions, organized voluntarism, affirmative purchasing, and certain closely related activities.

In the interest of full disclosure, I think I should also say that I am a member of the board of Independent Sector, the Council on Foundations, the New York Regional Association of Grantmakers, and the Nature Conservancy.

My purpose here today is really to give you some insights with respect to corporate grantmaking and some information on that subject. As you have indicated, Mr. Chairman, you have a copy of my full statement for the record.

The first thing I would say is that whatever level of Federal budget reductions ultimately are approved, we in the corporate community are fully aware of the fact that we will be looked to as a source for help by voluntary organizations who are suffering an income loss as a result of those reductions. It is my belief, based on almost ten years of experience in this field now, that corporations can, should, and many will help. However, they are not in a position to make up for that entire loss of Federal funds by voluntary agencies or even a significant portion of it, at least in the short term.

I think it is relevant to point out that perhaps the foremost function of a corporation is the earning of a profit, and in so doing a very important role is filled: the creation of jobs. Corporate contributions are very closely related to levels of corporate profits. In the decade of the seventies corporate profits tripled, reaching $2.45 billion in 1979.

Where does this money go? According to the most recent information from the Conference Board, about three-fourths goes to health, human services and education; about 11 percent to civil affairs which includes urban and inner-city concerns; and 10 percent for the arts and culture, which as Mr. Block has indicated has grown rather substantially in recent years.

I should also say that corporations in the last few years have increasingly professionalized the staffing for this function. There also has been a growing level of cooperation between corporations, foundations and Government. Each has taken its turn in providing the catalytic money for a given project or another.

Over 850 corporations now have matching gift programs under which they match the gifts of their people. Initially those programs were designed primarily to help higher education but increasingly with the passage of time those programs have been extended to hospitals and to the arts. A more recent innovation has been a multiple match. Some companies now match two-for-one for part or all; others, a few at least now, match on a three-for-one basis.

Corporations provide other kinds of help as well, for example, use of their facilities for meetings; perhaps they will run off a pamphlet or a brochure or a report in their print shop. Sometimes there are below-market loans or a gifts of products, and there are many other kinds of ways in which companies do provide assistance to the nonprofit voluntary community.

At this time, as you all know, there is a lot of talk about what the totality of the impact of these budget cuts that have been proposed would be on the voluntary community, the voluntary agencies. One estimated guess—and I think it is best to put it at that because I have not seen anything that has been real precise—is that it may reach as high in total as $6 billion a year. It seems to me that these kinds of circumstances provide a fine opportunity for the corporate community to indicate its commitment to the communities in which it has operations and of which it is a part, and also to the nonprofit segment of the private sector.

However, even if corporate contributions were to increase in 1981 by 10 percent—and I would remind the committee that in 1980 the increase was 4 percent—the amount that would be produced would be on the order of $250 million compared with that $6 billion need, that guess that I referred to a moment ago. This would be in a year in which there already are clear indications of a economic slowdown. That forces me to say that I think a 10 percent increase in corporate contributions in total this year may be too optimistic.

This situation leads me to mention what I personally think is perhaps the best hope for a quick infusion of money for voluntary organizations, and that is the charitable contributions legislation, H.R. 501, introduced by Congressmen Gebhardt and Conable, and S. 170 introduced by Senators Packwood and Moynihan.

In connection with this legislation and this point, I think it is important that we keep in mind the fact that 85 percent of all giving in the United States is done by living individuals, half of it by people earning $20,000 a year or less. If this legislation was passed soon and there was no phase-in on the benefits, it has been estimated by some reponsible sources that it might result in an additional $4 billion for charity.

Another important point, it seems to me, in regard to the passage of this legislation is that it would help enhance diversity and pluralism in America, and that has always been a part of the fabric of this Nation since its founding. I would conclude by saying that perhaps all of us ought to focus a little bit more on that issue, what Government, foundations, corporations, voluntary agencies working alone and collaboratively can do to further pluralism, to make it stronger, and to make it better.

Thank you, Mr. Chairman.

Mr. YATES. Thank you for a very good statement.

Mr. McDade, do you have a question?

Mr. MCDADE. Thank you, Mr. Chairman.

I want to welcome both of you and thank you for some very enlightening information for the committee and some incisiveness about the role of corporate giving, the mechanism, and the way that it works.

Let me ask you a question first, if I can. You indicated that you did not have expertise in your corporation to decide which arts groups to make a grant to, and that the fact what the Endowment did, it relieved you of your responsibility and made you comfortable with respect to your giving.

Is that an accurate statement?

Mr. BLOCK. Well, not entirely. No, sir. We have obviously our own policy, our own policy guidelines. We have some capacity to

evaluate. What I was trying to suggest is that I suppose in my case—I cannot speak for Mr. Albrecht—but in my case I think we get something like 4,500 appeals a year, and among them many will be things that we are perfectly able to evaluate and would against our own guidelines.

I was simply trying to talk about the various ways in which the Endowment has a usefulness to us in addition to just being a grantmaker, and one is that it does give yet another test on appeals that may be sufficiently unusual that we would not have experience or have competency. I did not mean to give you the impression that I delegated to the Endowment the task of managing our contributions program.

Mr. McDade. Let me ask you this: In terms of the 10 percent figure that you mentioned, is it corporate policy at AT&T to donate 10 percent of a certain amount to the arts each year or is that a national figure?

Mr. Albrecht. That is a national figure based on survey information submitted to the Council for Financial Aid to Education and The Conference Board. It is part of an annual survey of corporate contributions in which some 800 companies participate. That figure has moved up from a much lower percentage over the last decade or so, and I think the most recent information is for the year 1979. I believe that was then 10 percent, which as Mr. Block has indicated was a total of some $400 million, something of that sort.

Mr. McDade. Yes, according to someone who spoke for AT&T and was quoted in The Wall Street Journal the other day it was about $436 million.

Mr. Block. I think that is the total.

Mr. McDade. For example, do you have a fixed policy of what you do at AT&T with respect to charitable giving to the arts? Do you have a specific percentage of after-tax profits or before-tax profits, et cetera?

Mr. Block. Yes, we do. Our board of directors, in our case, for example, authorized an objective of 1 percent. Now we are not at the 1 percent level this past——

Mr. McDade. Is it one percent of profit before pre-tax net?

Mr. Block. Yes, sir.

Mr. McDade. Does that cover the whole corporation, the Bell System, as we call it?

Mr. Block. No, sir. Each of the Bell companies has its own board of directors which sets its policies. Now, obviously I would hope that most of those boards would at least be aware of what AT&T is doing and consider doing the same. We talk among ourselves.

Mr. McDade. Yes. Of course, there are obvious differences in the corporate world, too. AT&T is a unique position, it seems to me, to be even more supportive.

You have been supportive in the past. We want to commend you for it. The quality of programming that you have supported certainly has elevated the level of arts appreciation in this country, and there is an enormous groundswell in this country of appreciation of the arts that nobody argues about. It is there and we are happy about it. The corporation has probably, as much as any, made great strides in assisting to elevate that awareness.

I am trying to get at this figure that you are talking about that seems to be to you an unreachable goal for the corporate side—you mentioned business exclusively—and yet for your purposes AT&T contributes about one percent.

Mr. BLOCK. That is our objective. Yes, sir.

Mr. MCDADE. You do not quite get there. Do you expand it and contract it depending upon what the P&L statement is?

Mr. BLOCK. Yes, to some extent. I think all corporations do. We happen not to have a foundation.

Mr. MCDADE. Yes.

Mr. BLOCK. Some companies try to use a foundation as a sort of an economic shock absorber but we do not.

Mr. MCDADE. I was very much interested in your comments about the tax deductible aspect of where we are and the number of individuals who contribute. Indeed, if we learned anything with the challenge grant program, it was that individuals will respond enormously in addition to the corporate sector, perhaps the foremost example being the challenge grant that was given the Metropolitan Opera some years ago, in which individuals contributed enormously.

It is your position, is it, that if those pieces of legislation were passed there would be an additional incentive to individuals to join with others in making voluntary contributions?

Mr. BLOCK. Yes, I think there would be. That legislation would grant tax deductiblity of contributions for nonitemizers, and over the decade of the seventies the percentage of taxpayers who do not itemize has increased from something on the order of 50 percent to around 75 percent.

Mr. MCDADE. Basically it just lets those who do not itemize, itemize for purposes of charitables.

Mr. ALBRECHT. That is correct.

Mr. MCDADE. According to the budget, the estimated amount in fiscal year 1982 for charitables is $11.5 billion. Of course, that includes more than the arts. As you indicated in your statement, you have to make judgments about what you are going to do with hospitals, civic activities, et cetera.

However, your point is that there is another untapped pool that is not now the beneficiary of the same tax deductions that the corporations have, for example, when they make these contributions, that could be incentivized to participate in the arts?

Mr. ALBRECHT. Yes.

Mr. MCDADE. Do either of you, have a feel as to the extent of individual participation in donations to the arts?

Mr. BLOCK. I am sorry, sir. I did not hear the last phrase in your question.

Mr. MCDADE. Do you have any feel for or statistics on the number of American citizens who might now be participating in voluntary contributions to the arts?

Mr. BLOCK. As contributors?

Mr. MCDADE. Yes.

Mr. BLOCK. I cannot do it from memory and I did not bring any figures. We do know that where united arts giving organizations have been formed in communities, that has given an enormous lift

to fundraising. I think that is indicative of the potential that is there.

Mr. McDade. If you have specific figures we would appreciate them, with the permission of the chairman, for the record. I think that would be very good.

Mr. Block. I will be happy to get them.

[Committee note.—The information was not provided.]

Mr. Albrecht. If I could pick up on that, I do not think I have any figures either but I would say that when we adopted a matching gift program it was first limited to higher education. When we expanded it, we expanded it first to the arts and public broadcasting. Subsequently we expanded it to hospitals and now it is almost all 501(c)(3) organizations other than those which are religious, political, et cetera, exclusions that I am sure everyone would understand.

We assumed when we brought hospitals in that that would be the second largest category after higher education. It turned out that public broadcasting and the arts get more through matching as a result of the gifts of our people than do hospitals. If you take public broadcasting out, culture and the arts is almost even with hospitals. Now the big leader, of course, is higher education.

Mr. McDade. May I ask what percent of your before-tax profit is earmarked for the arts by corporate policy?

Mr. Albrecht. Well, we are a mutual insurance company, Congressman, and we are taxed under a different tax law. Counsel is not here with me and I need to tread carefully in this one but I believe it is the Life Insurance Income Tax Act of 1959. On the basis under which we are taxed under that law, I believe it is correct that essentially we do not get a deduction for the contributions we make.

Also, being a mutual company the concept of direct profits or profit income per share is not relevant, and we talk about such things as additions to surplus, net gain from operations, and so forth. Our formula is based on one percent of policyowner dividends, and of course that means that we are taking that money from the money that would otherwise go to policyowners.

Mr. McDade. Would the legislation you mentioned permit you to get tax deduction?

Mr. Albrecht. No. That is restricted to individuals.

Mr. McDade. We will have to speak to the people who sponsored it and see if we cannot make it mutual, since you are so up front.

Let me for purposes of comparison ask what percent of your budget before taxes goes to advertising at AT&T?

Mr. Block. I am sorry?

Mr. McDade. What percent goes for advertising?

Mr. Block. About four-tenths.

Mr. McDade. If you went over, to the Yellow Pages which is a separate shop, would you know how much goes for both advertising and for the arts——

Mr. Block. Well, there is no arts component. The Yellow Pages is simply a division of the business so it would not have an arts——

Mr. McDade. They do not contribute to the arts at all?

Mr. Block. Well, they contribute the earnings. The Yellow Pages is not a separate corporation in our company.

Mr. McDade. How much do you advertise for the Yellow Pages?

Mr. Block. Nationally?

Mr. McDade. Yes.

Mr. Block. I guess about $15 to $18 million a year.

Mr. McDade. Can you relate that, as you did before, to percentage? I am just trying to get some insight on two areas where there is a tax deductibility and how the corporation treats them both, recognizing they serve different purposes.

Mr. Block. Yes. I cannot do it offhand. From AT&T alone, our contributions budget for this year is about $5.5 million. About $1 million of that will go to the arts. If you take all of the Bell System companies in aggregate, the budget would then be about $35 million, a slightly lower percentage total to the arts.

Does that help any?

Mr. McDade. Yes. That helps me to at least get a frame of reference.

Mr. Block. Our percentage, by the way, for the arts this past year, we have been as a matter of policy trying to ratchet it upward and we are a little bit over 14 percent now out of the total contributions.

Mr. McDade. Okay.

Thank you, Mr. Chairman.

Mr. Yates. Mr. Dicks?

Mr. Dicks. In your view then, if we make these substantial cuts, say 50 percent for the National Endowment for the Arts, the private sector will not be able to pick up that much in the next year. Is that correct?

Mr. Block. That is my opinion. Yes, sir.

Mr. Dicks. Therefore, you would see nationally a reduction in the amount of money that would be available for arts groups all over this country. Isn't that also correct?

Mr. Block. Yes, sir.

Mr. Dicks. Sometimes I think when we get into this subject we fail to look at it from a business perspective, an economic development perspective. Our efforts in the arts are very labor-intensive, we create a lot of jobs, a lot of employment, a lot of economic opportunity for a lot of people, not just artists but all the people who are involved in a production of a play or some performance.

I would like to hear your comment on that. Isn't there a substantial economic impact in communities all over this country that have viable arts institutions?

Mr. Block. There is no question. I am sorry I do not have aggregate statistics, although they have been developed and I could bring them in, but it has been estimated and I did say in my remarks that it is estimated that the arts provide employment, paid employment for a million persons in the United States. That would be a big industry.

Mr. Dicks. Obviously, if we make a cutback here, and when we add up what business does and the Government does, it is going to have an impact on employment. People are going to be laid off. People are going to lose their jobs and we are going to have to take care of them with unemployment compensation and other social programs. Isn't that also true?

Mr. BLOCK. Yes, sir. A trombone player is just as much on welfare as an electrician.

Mr. DICKS. Just as much as someone else. I think the figures that my colleague was mentioning earlier from The Wall Street Journal which indicated that in 1967 this is according to the business committee, now some $22 million was given to the arts, and in 1979 that figure had risen to $436 million, certainly indicates that this partnership between the Endowment and the private sector has dramatically increased the amount of money that is being contributed. Therefore, jobs have been created and this economic activity has been carried forth because of this partnership. Is that fair?

Mr. BLOCK. Yes, sir, it is fair.

Mr. DICKS. At a time when we are seeing these major cutbacks in social programs, to allow people to take the standard deduction and who are in a position to take a tax deduction for charitable contributions, is going to be even more necessary. This is not just because of the arts but because the private sector is going to be asked to pick up a lot of the cost of social programs.

Therefore, there is a necessity, to seriously consider the Gephardt-Conable legislation. It is also true, though, that there is a tax consequence or a revenue consequence to the Government by going in that direction, as well. In other words, if we say, "Okay, we are going to move over here and do it with a tax expenditure," then it is also going to cost the Government money.

This worries me. We have a very good, targeted approach here and what we are doing is undercutting that targeted approach. We know where this money is going to go. I think you have to balance this off. You are going to have a revenue loss on one side or a budget expenditure on the other side. Isn't that true?

Mr. ALBRECHT. There is, of course, a revenue loss. In the studies that Professor Feldstein did, however, for the National Commission on Private Philanthropy and Public Needs, I think some considerable evidence was demonstrated that tax deductibility of contributions is an effective mechanism and that the revenue loss is made up for and exceeded by the gain in contributions that are made by individuals. Therefore, it is not a one-to-one situation. It is somewhat more than one-to-one in favor of an increase in charitable contributions.

The other thing goes back to the very tail end of my statement, and that is the kind of pluralistic society we have and whether we wish to further it, and whether this is a worthwhile expenditure and loss of income in that direction. When you have 75 percent of the taxpayers in the country who cannot deduct their contributions, then pretty soon you are talking about tax deductibility of contributions becoming something just for a privileged few. That I am very concerned about, the long-term implications of that for our country.

Mr. DICKS. Well, I agree with you. I think that is a very important point. I also think that if we are looking at a society in which we are going to make these kinds of substantial cuts in social programs, which it appears we are prepared to do, that only through this kind of a program, some form of charitable contribution that is broader, are we going to have the possibility in the private sector of taking care of some of these problems that I think

are going to fall upon our communities, which I do not think has been very well thought out, by the way.

I will yield to the chairman.

Mr. YATES. Mr. AuCoin?

Mr. AUCOIN. Mr. Chairman, I have no questions.

Mr. YATES. Mr. Regula?

Mr. REGULA. No, Mr. Chairman.

Mr. YATES. Mr. Loeffler?

Mr. LOEFFLER. Thank you, Mr. Chairman.

To our witnesses this morning, thank you for the enlightenment that you have shared with the committee. I would like to pursue the general thrust of the tax concepts because we are in a new era of American political history wherein expenditures by the Federal Government are being reviewed and priorities will change.

First of all, there is no program that the Federal Government has considered or that the Federal Government is currently involved in that does not have merit. However, there is a decision as to what priorities we must establish from Washington.

In looking at the proposed reductions which will be 50 percent, assuming that they would be enacted into law for 1982, what are the various tax advantages that you have in your two separate corporations and that are available to the American people as individuals that could stimulate—currently, tax advantages that are currently on the books—contributions to the arts?

Mr. ALBRECHT. Well, I think I tried to indicate that corporately we are taxed on a different basis, and essentially we do not receive a corporate tax deduction for the contributions we make. It is an entirely different law under which life insurance companies are taxed.

In terms of individuals, we do have a matching——

Mr. LOEFFLER. In other words, for you and your sister companies in the industry that you represent, you have no tax benefits at this moment for the——

Mr. ALBRECHT. It would depend, Congressman, upon the basis on which a company is taxed under the Life Insurance Company Income Tax Act of 1959. Most large mutual companies, which are some of the largest in the country, are taxed on a basis which does not permit them to take charitable contributions as a deduction.

Mr. LOEFFLER. Before we go into the individual tax advantages, what is the total aggregate, approximately that is, being contributed to the arts from your sector of private industry.

Mr. ALBRECHT. I would not have the figure for the life insurance business. The figure that Mr. Block had was for all business in general—and that is probably a figure out of "Giving U.S.A."—of over $400 million in 1979.

Mr. LOEFFLER. Mr. Chairman, I wonder if it might be possible if he could submit for the record what the insurance industry has contributed—particularly in your line, those sister companies in the mutual area—without tax incentives?

Mr. YATES. Can the witness furnish that information?

Mr. ALBRECHT. I could try and get some of the associations that we deal with to get that information but all I can say to you is that we will try to do it.

Mr. YATES. I think we will just have to accept that statement.

Mr. LOEFFLER. Thank you, Mr. Chairman.

What are individual tax incentives for charitable contributions?

Mr. ALBRECHT. With respect to individuals, we have an extensive matching gifts program and it does extend, of course, to the arts. Under the program now we will match gifts of our people from a minimum of $25 per gift to a maximum of $4,000 in a year, and also for $500 we will match on a two-for-one basis.

The matching gift programs in corporations vary far and wide, as you can well appreciate, but that happens to be ours. In addition, we also support a list of art organizations that are national service organizations, that provide services to arts organizations in their various fields, such as dance, such as theatre and so on, opera.

We are also involved in a program called "Awards in the Visual Arts," jointly funded by Equitable, the Rockefeller Foundation and the National Endowment of the Arts. This is a relatively new program announced a year ago and our expenditures for that, as well as the Endowment's and the Rockefeller Foundation's, will be increasing over time.

Mr. LOEFFLER. Thank you, Mr. Chairman.

Mr. YATES. I just want to ask you one further question, and that relates to company policy in not only giving to the arts but to the other organizations which require your contributions. The arts are only one of the categories of charitable contributions to which you give.

Do you not each year have to decide where it is most advantageous to your company, rather than to the community, where you make that contribution? Perhaps that is a harsh way to put it but as you youself said, Mr. Albrecht, you are in the business of making profits fundamentally for your shareholders.

Mr. ALBRECHT. I think you are quite correct, Mr. Chairman. Just where you divide the pie, as members of this committee know and as all of us as individuals know, is very difficult. It ranges far and wide from one company to another. I think it is entirely appropriate for a company to take into account what logically it should be supporting, bearing in mind its emphases, its products and its services.

In our company we have five or six different major categories. One obviously would be higher education and the United Way. We also have a very heavy emphasis on affirmative action. Therefore, when you decide what your total figure is going to be for a year and you know how much more you are going to have, hopefully, each year than the previous one, then you have to decide where you wish to allocate it.

You would take a lot of things into consideration: your corporate interests which you believe to be an enlightened view of what national needs are, where perhaps some greater needs exist than others, and things of that kind.

Mr. DICKS. Mr. Chairman, could I just ask a question on that point?

Wouldn't you also take a look at a situation where there is a challenge grant, for example, where you know that the Federal Government is putting up a dollar for every three dollars that you can contribute, and therefore you can get more leverage for your

investment, wouldn't that also play a part in making a decision here?

Mr. ALBRECHT. It might, it might not. It depends upon your priorities. It depends upon whether the kind of project and organization that would be getting a challenge grant would fit in with all this. It is a very complex matter and I do not want to make it more complex than it is, in fact, but there are a lot of things to take into mind. It is not done on a knee jerk, rote kind of basis at all.

Mr. YATES. On that point, an example comes to mind of public broadcasting, for example. You make contributions to Public Broadcasting as well. I remember the instance of the broadcast of the movie, "The Death of a Princess." Do you remember that?

Mr. ALBRECHT. Yes.

Mr. YATES. It raised some opposition by the Government of Saudi Arabia at the time and provoked, if my memory serves me correctly, a request by the Mobile Oil Corporation to Public Broadcasting not to broadcast that film.

Do you consider the policies of the art exhibits or of the broadcasts in their relationship to the well-being of your companies, insofar as your giving is concerned? Do you tend to allocate funding?

What goes through your mind as you give? I know that the testimony before our committee has indicated that by and large the American corporations do not qualify their grants. They give the money to be used as the Government agencies and as the charities think best for the needs to which the funds are directed.

Obviously, the "Death of a Princess" incident was the great exception, I believe, but does a corporation not take into consideration the well-being of its company and the possible effect of what an exhibit or a broadcast is likely to be, not so much in its degrading or deprecating attitudes but for the enhancement of the company's position in the community as well?

Mr. BLOCK. Could I comment on that quickly?

Mr. YATES. Yes, Mr. Block.

Mr. BLOCK. You also force us to say that when you try to aggregate dollar amounts of contributions you are frequently mixing apples and peaches and it is very tough to make comparisons but probably the most significant single thing that my company does in support of the arts is the underwriting of symphony orchestra tours, the Bell System "American Orchestras on Tour" program.

Mr. YATES. I commend you for that. You have done a marvelous job.

Mr. BLOCK. We do not consider that a contribution at all. That is advertising, and that is where it appears on the account books of the company. Now to the recipient orchestra it is a contribution, I suppose, but from our point of view, our intention in doing that is to gain goodwill with the public at large and to gain goodwill with certain of our large customers, whom it turns out would just as soon hear an orchestra as go play golf.

Therefore, those are advertising contracts with those orchestras and they are not in the contributions budget. If we make an underwriting grant to PBS for a show, we do not consider that a contribution because we are underwriting that show and we are doing the promo advertising, the tune-in advertising that goes with

it to seek to gain goodwill. From our point of view, our intent is advertising, not philanthropy.

Mr. YATES. Does PBS come to you with a program, or do you make an outright grant to PBS? If let us say PBS comes to you with an innovative and daring kind of a show rather than one that is well-established. This show has a new composer rather than the Pirates of Penzance, for example, which you know will have public acceptance immediately. How does your mind work on something like that?

Mr. BLOCK. Well, that is what I was trying to suggest, that if you are talking PBS my company—not every company but most, I think—obviously want to be associated with a show that they think has intrinsic merit but that would be well-received by the public.

Mr. YATES. Sure.

Mr. BLOCK. In other cases where you support a museum or a theater company or what not that is purely philanthropy, you are not going to interfere in the artistic selection of that institution.

Mr. YATES. I am not trying to embarrass you. I am trying to burrow into the corporate mind a little bit.

Mr. BLOCK. Well, I do not know of any corporation——

Mr. YATES. Mr. Albrecht?

Mr. ALBRECHT. I think that in general, corporations do try to be aware of some of the potential pitfalls going in. I would think in general, however, that most of the grants are made without any intent to interfere unduly.

I know in the visual arts program I mentioned a moment ago that we are involved in, we fully appreciate the fact that there may be some art that is submitted that some people in the company would dislike intensely. We are going to take that risk, if it is indeed a risk, and not interfere with that. The judging on the contest is gong to be done by competent people. We are not involved in the judging and we accept the decision of the judges when it is made.

There are probably a number of companies that do provide support for risky types of adventures—not adventures but rather ventures—such as legal defense organizations and so forth, and they run some real risk in those kinds of situations because they might very well turn right around and sue one of their clients or themselves in due course.

Therefore, there is some risk-taking, perhaps not as much as some would like to see, but I think it is for the most part relatively hands-off giving in terms of trying to interfere in the artistic judgments and so on. There is some from time to time but it is not all that prevalent.

Mr. DICKS. Mr. Chairman?

Just to make a comment on "The Death of a Princess," they might not present it if she held an Equitable Life Insurance policy.

Mr. YATES. Well, I want to thank both of you.

Mr. MCDADE. Mr. Chairman?

Mr. YATES. Mr. McDade?

Mr. MCDADE. If I may, before you leave, this is a very interesting hearing and I want to commend you both for supplying the committee with the insights which you have had.

Let me ask you a question: Suppose the administration's cut is adopted. What are you going to do?

Mr. ALBRECHT. Well, first of all, we did have an increase in our budget at the beginning of the year. Our management now is considering a proposal, not in the arts but in minority higher education, that would call for an increase above and beyond what that budget is. I may be talking a bit out of school here, and I do not know what the decision is.

What would our response be? What would the corporate community's response generally be? That is difficult to say. Let me say two things; First, in I think terminology that you would all understand, staff proposes, management disposes.

Second, there are some very important things going on in the corporate community at the present time, I think. Although I am not aware of the statement, I understand that there are a couple of the large business associations that are dealing now with a statement on corporate philanthropy that may well be issued in a few days which, if it is made, would be the first statement that would say—if indeed it says that—that contributions by corporations are a legitimate expense.

That has not been said by industry trade groups heretofore, and if that statement does come forth in that way and is endorsed and business takes it to heart, you could see some broadening of the base of corporate support which I think is essential. There are too many companies who do very little or nothing.

Therefore, the raising of the sights means not only getting those who are doing something to do more but getting those who are doing nothing to do something. I think there are some efforts within the business community, going on now.

What they will lead to, I do not know. There is a conference in New York next week, on the 31st, sponsored by The Conference Board on the corporate social role. It will be interesting, of course, to see what comes out of all that.

However, I think that the business community is concerned. I think that the business community will try to be responsive within the restrictions with which it operates, and I also would emphasize finally that it is not just what you do by writing a check. There are a lot of other things.

Mr. Block's reference to the fact that that symphony tour is part of advertising indicates another way of providing very useful help that does not come directly out of the philanthropic budget. There is a lot of that that goes on that is not counted and is sort of the hidden part of the iceberg.

Mr. MCDADE. I certainly hope you are participating in that conference.

Mr. ALBRECHT. I am going.

Mr. MCDADE. Well, we are delighted to hear that.

I find your figure astonishing. You say that 85 percent of all giving in the United States is done by individuals, and it is a figure amounting to $47.74 billion.

Mr. ALBRECHT. That is correct.

Mr. MCDADE. Therefore, the clear inference is that 15 percent is done on the other side of the ledger. Is that correct?

Mr. ALBRECHT. Well, about 5 percent represents the amounts given by foundations; about 5 percent by corporations; and about 5 percent are bequests.

Mr. YATES. Would you yield for a question on that?

Mr. MCDADE. Please.

Mr. YATES. Where does he get his figures? From IRS?

Mr. ALBRECHT. That is from "Giving U.S.A.," which is put out by the American Association of Fundraising Counsel. Those figures are what they intend to be publishing soon as the report on giving in 1980 in the United States.

Mr. MCDADE. Is there any further breakout of that, for example? Do we have any idea of that $47.7 billion, and how much is contributed voluntarily to the arts by the American public at large?

Mr. ALBRECHT. It is probably in this book, which is a year out of date, Congressman.

Mr. MCDADE. Okay. Just furnish it for the record.

Mr. ALBRECHT. I would be glad to try and do that.

[COMMITTEE NOTE.—The information was not provided.]

Mr. MCDADE. The figure is significant and it does indicate that there is a lot of room in that five percent. There are certainly a lot of people that are not on board in the corporate community. Maybe you gentlemen can be—and will be, I am sure, in view of your past roles—catalysts to try to increase corporate America's contributions, no matter what happens.

We know that Equitable is going to continue heads-up if they can, no matter what happens. What would the position of AT&T be?

Mr. BLOCK. Well, exactly the same in the sense that managements are quite accustomed to dealing with surprises, dealing with ups and downs in the economy.

I was going to give you a little speculative anecdote here. Suppose that in the arts we found that institutions with whom we had had a special relationship or to whom we had a special obligation were severely compromised as a consequence of cuts in the Endowment budget, so much so that we felt a need to do something.

Mr. MCDADE. Yes. They might go under, yes.

Mr. BLOCK. Step one would probably be, if need be I would have to go to our board of directors and seek an additional authorization for the contributions budget to make a contribution. The board of directors would smile, give me a lot of positive feedback and say, "Certainly, here is the money," and we would make the contribution.

Then a month later that same board of directors would remind me of our obligations to make certain that the dividend is safe for the shareowners, and they would sort of say, "Now what we gave you in contributions, why don't you make that up by lowering your spending somewhere else?" That is likely what would happen. Someone eventually would feel it.

Mr. MCDADE. You would then argue that you could increase your advertising budget, if it is the same result.

That was an interesting and very educational comment you made about the amount of corporate support that is in the advertising budget. It is a different form of support than the kind we are

talking about, obviously, and not reflected I don't think in our record.

Do we have any idea of what that might be? Is there any way to get a handle on that?

Mr. ALBRECHT. Not that I know of. Some companies—let's take PBS as an example—some companies provide their money for PBS out of contributions. Others decide to pay for it out of advertising but there generally is a lot of assistance, technical assistance that is provided, other things that do not show up as a contributions figure. It depends upon how a company chooses to count it.

Take loaning people as an example. We participate, and I think AT&T has in the past, in the congressional assistant program of the Conference Board. We carry the salary of the individual who works on a congressional committee or subcommittee staff during that time. There are all kinds of things that are done one way or another and it is not just through advertising.

Mr. MCDADE. I want to express my thanks to both of you. I know you have busy lives and we are very grateful to you for coming today and in the past and giving us your insights. Thank you.

Mr. ALBRECHT. Thank you.

Mr. BLOCK. On the contrary, thank you for affording us the opportunity.

Mr. YATES. One final question before I give you the same kind of a blessing my colleague did: Do you favor continued Government support of the arts?

Mr. BLOCK. Yes.

Mr. YATES. You do, unhesitatingly?

Mr. BLOCK. Yes.

Mr. BLOCK. Yes, sir.

Mr. YATES. Is your answer the same, Mr. Albrecht?

Mr. ALBRECHT. Yes.

Mr. YATES. Your voice went up instead of down as his did.

Mr. ALBRECHT. I said "Yes."

Mr. YATES. Thank you very much for a very excellent contribution. I want to say to those who are assembled here, many of whom are going to be witnesses, I want to apologize to them but I think that the reason we kept these gentlemen is obvious because they are the paladins of the new corporate enterprise, if indeed the Government has withdrawn from its support. Of course, we hope that the Government is not withdrawing from its support.

Thank you for giving us real insights into the corporate mind in connection with the arts. Thank you very much.

Mr. ALBRECHT. Thank you, Mr. Chairman.

SYMPHONY ORCHESTRA PANEL

PERFORMING ARTS WITNESSES

VICTOR FUENTEALBA, PRESIDENT, AMERICAN FEDERATION OF MUSICIANS

JOHN WILLIAMS, MUSIC DIRECTOR AND CONDUCTOR, BOSTON POPS ORCHESTRA

ANI KAVAFIAN, AMERICAN SOLO VIOLINIST

MAURICE ABRAVANEL, MUSIC CONDUCTOR LAUREATE, UTAH SYMPHONY ORCHESTRA

JAMES BUSWELL, AMERICAN SOLO VIOLINIST AND MEMBER OF THE FACULTY, INDIANA STATE UNIVERSITY

GERARD SCHWARZ, CONDUCTOR AND MUSIC DIRECTOR, LOS ANGELES CHAMBER ORCHESTRA

Mr. YATES. Now I want to deviate a little bit from the schedule and ask the performing arts people to come forward if they will. Who wants to come first, the symphonies or theater? I see Mr. Abravanel here. Let's start with the symphonies.

Mr. YATES. Mr. Fuentealba. Mr. Williams. You are accompanied by Mr. Gerard Schwarz, Mr. Abravanel, Mr. Kafavian, and Mr. Buswell. I think all of you will come up here.

Mr. Williams, I understand your time is somewhat limited and your participation depends upon you, if you want to stay and participate to some extent. If you have to go, we will understand it.

Mr. FUENTEALBA. No, I have adequate time.

Mr. YATES. We would not want to miss one of your concerts as a result of your having to be here.

Mr. FUENTEALBA. No, I am Fuentealba.

Mr. YATES. Where is Mr. Williams?

Mr. WILLIAMS. Right here.

Mr. YATES. Oh, there you are. I thought your face had changed.

Mr. YATES. Well, we are glad to see you, Mr. Williams.

Mr. WILLIAMS. Thank you.

Mr. YATES. All right, now, this has Mr. Fuentealba and Mr. Williams carrying the ball and the rest of them are what is referred to as "cameo witnesses," whatever that may be.

Mr. Williams, we are going to have to get you near a microphone. Can we ask you to change places with the young lady there, perhaps? Are you going to start, Mr. Williams?

Mr. WILLIAMS. I think so.

Mr. YATES. We are glad to have you. We have seen you on television. We have listened to you and your works in the cinema. We know you as the outstanding successor to a great man, the former conductor of the Boston Pops, Arthur Fiedler. You are carrying on his tradition in a most beautiful fashion, and we are delighted.

TESTIMONY OF JOHN WILLIAMS

Mr. WILLIAMS. Thank you very much indeed. I have worked principally as a composer in my working life. I have come as a newcomer to the Boston Pops. I have worked in the field of commercial and popular music, most particularly.

In fact, I was recently introduced at a luncheon at the 20th Century Fox studio, not as a composer that has worked at the studio for 20 years or who has contributed scores to dozens of their films but as the conductor of the Boston Pops and everyone at the studio seemed to be very impressed. Even in Hollywood, people were impressed with our symphonic performing groups.

It struck me that it is really a matter of prestige, and it strikes me that of all the cold and hot wars fought in recent decades there is one area where we are consistently leading if not winning, and that is in this area of performing arts, an area where our prestige has not diminished in the world, something we need to be very, very proud of indeed.

I have been very keen all of my life on popular music and the creative urge as it relates to the American century, as we have come to call this one. We have the great works of popular composers, the Gershwins, the Kerns, the Porters and all the rest of them of the earlier part of the century, people who contributed tremendously in a creative way to the energy of the country.

It interests me that the critics of NEA always point out that these people were not recipients of endowments. In those perhaps more naive times, I think that the strivings of a Gershwin—for example, Gershwin striving to get to Carnegie Hall resulted in the Rhapsody in Blue. His perhaps naive reaching resulted in Porgy and Bess, the best American opera, probably, that we have.

This kind of striving and reaching is typical of the kind of creative energy of the American century. My interest is the creative process, the future really of music. What kind of energy are we going to have in the 2lst century in the creative area? Is it going to be great?

I think these institutions that do receive endowment support are catalysts to artists who do not receive that support. If they are composers in whatever is the contemporary equivalent of a garret, they are working toward having their works performed by the Chicago Symphony or the Metropolitan Opera, or all the rest of these great institutions of ours.

Therefore, I think this is important to the creative impulse and the creative energy of what we hope is going to be the next American century. We are in a time for economic readjustments; we recognize that. The problem here seems to be not so much budget cuts as a question of balance and proportion. We are willing to do what we can to help.

The thing that disturbs me, really, is the idea that the arts are a low priority. It strikes me that they ought to be, on the contrary, a high priority. They have been called the fabric of our culture. It is really the bones and the muscle, the spirit of our civilization.

The NEA has been a great success. The history of art is the history of patronage of all sorts. I am just here to say those few words to help if they will.

Mr. YATES. They will indeed help, and we are very grateful for your intervention.

Had you concluded your statement?

Mr. WILLIAMS. Yes.

Mr. YATES. Who would like to speak next?

TESTIMONY OF VICTOR FUENTEALBA

Mr. FUENTEALBA. I will speak. My name is Victor Fuentealba. I am the international president of the American Federation of Musicians. If you noticed, I allowed Mr. Williams to speak first since he is one of my constituents.

Mr. YATES. That is the congressional approach, too.

Without objection, the panel's statements may be put into the record.

[The statement follows:]

American Symphony Orchestra League

Post Office Box 669 Vienna, Virginia 22180 703/281-1230

News Release

Date: March 25, 1981

Contact: Michael Mael, (703) 281-1230

CONDUCTORS JOHN WILLIAMS, MAURICE ABRAVANEL, AND GERARD SCHWARZ TESTIFY BEFORE CONGRESS ON BEHALF OF NATION'S SYMPHONY ORCHESTRAS

Conductors John Williams, conductor of the Boston Pops Orchestra, Maurice Abravanel, conductor laureate of the Utah Symphony Orchestra, and Gerard Schwarz, music director of the Los Angeles Chamber Orchestra, testified today on behalf of the nation's more than 1500 symphony orchestras before the House Appropriations Subcommittee on the Interior. With jurisdiction over funding for the National Endowment for the Arts, the Subcommittee held the first in a series of hearings scheduled between now and the end of May, to present testimony on the 50 percent budget cuts proposed by the Reagan administration.

In testimony submitted on behalf of symphony orchestras, witnesses protested the severity of the proposed budget cut, stating that "We recognize that sacrifices must be made...we are willing to carry our fair share of the burden, but must ask that it be distributed evenly. A cut of 50 percent is too severe and not equitable with what other agencies with far less successful records have been asked to absorb."

In testimony responding to the administration's claim that the federal government has become a financial patron of first-resort replacing traditional sources like corporations and individuals, witnesses cited the dramatic increase in corporate support for the arts since 1965, claiming that the Arts Endowment has, in fact, fostered this increased support through the administration of creative matching grant programs. "Since the Arts Endowment was created, corporate support for the arts has risen from $22 million to $436 million. With its provision that each dollar of program money be matched, the Arts Endowment

has challenged orchestras to increase private funding and find new sources of support."

Beyond budget considerations, witnesses expressed concern over the change in the federal government's priorities since 1965, when it created through legislation the Arts Endowment to foster the professional excellence of the arts in America. "It is because of the power and prestige of the federal government in this significant and unique leadership role that support from every sector has grown so dramatically in the past 15 years. We strongly reject the notion that the arts are a low priority. A civilization is defined not only by the wars that are fought, but by the works of art, architecture, literature, theatre, and music that are created. Today, the United States has taken a leadership position in the performing arts. Our arts institutions are the envy of every nation on earth. American orchestras rank equal to the world's finest...To cut the Arts Endowment budget by 50 percent and reduce the arts to a low priority budget item will tell the American people that the arts are no longer important."

Also appearing as witnesses were violinists Ani Kavafian and James Oliver Buswell.

Testimony was also submitted by the American Symphony Orchestra League, the national professional service association, chartered by Congress, for North America's symphony orchestras. Founded in 1942, the League exists to serve orchestras--to ensure their artistic excellence and administrative effectiveness. For more than 40 years the League has encouraged orchestras both large and small to take responsibility as musical leaders and to provide the broadest possible service to their communities.

###

American Symphony Orchestra League

STATEMENT BY MAESTRO JOHN WILLIAMS ON BEHALF OF THE NATION'S SYMPHONY ORCHESTRAS

March 25, 1981

House Appropriations Sub-Committee On The Interior

Mr. Chairman and members of the Sub-Committee:
My name is John Williams, and I am a musician. I come before you today as a representative of our nation's 1,572 symphony orchestras. As a composer and as music director of the Boston Pops, I welcome the opportunity to talk with you on behalf of the artists and institutions across the country that bring symphonic music to more than 23 million Americans each year.

I am also pleased to be joined by my distinguished colleagues Maestro Maurice Abravanel, Maestro Sergiu Comissiona, James Buswell, Ani Kavafian and Maestro Gerard Schwartz.

American symphony orchestras are among our country's finest artistic and cultural resources, enriching communities throughout the United States from the major urban centers of Chicago and Los Angeles to the smaller communities of Johnstown, Pennsylvania, and Richland, Washington. American orchestras reach far beyond the audiences in their concert halls. They contribute significantly to the spirit and cultural vitality of the many and diverse communities they serve.

Post Office Box 669 Vienna, Virginia 22180 703/281-1230

continued...

The great professional orchestras of the United States are internationally renown and recognized as equal to the finest orchestras anywhere in the world. They have as their first and basic article of faith a commitment to musical and artistic quality. These orchestras set the standard of excellence against which all other musical endeavors are measured.

American orchestras do more than play symphonic music. They serve as a total musical resource, nurturing other arts activity in their communities by demonstrating techniques of organization, fundraising, and audience development; by cooperating with and instigating joint artistic ventures; and by sustaining a ready pool of skilled musicians. Particularly valuable to smaller communities are the orchestra musicians who form the nucleus for other arts activity, including opera, dance, chamber music, musical theatre, civic, and church events. These musicians serve as faculty members in colleges and conservatories, and in the public schools. In these positions they train and prepare musicians for top professional assignments, while marshalling their talents for the good of their communities.

Fifteen years ago, Congress passed legislation to create the National Endowment for the Arts to foster professional excellence of the arts in America. For more than ten years, the Arts Endowment has helped orchestras to develop the resources essential to artistic progress and the pursuit of

continued...

excellence. The Arts Endowment has created a climate in which orchestral music can be experienced and enjoyed by a public that grows in numbers each year. But, most importantly, the National Endowment for the Arts has fostered the conviction that the arts are central to human life -- to the lives of the American people. It is only because of the power and prestige of the federal government in this significant and unique leadership role that support from every sector has grown so dramatically in the past 15 years.

But now we are being told by the federal government that the arts are a low-priority item this year, that the arts must suffer budget cuts so that more basic needs may be fulfilled. We recognize that these are not ordinary times and that sacrifices must be made if our economic troubles are to be reversed. We are willing to carry our fair share of the burden, but must ask that it be distributed evenly. A cut of 50 percent is too severe and not equitable with what other agencies, with far less successful records, have been asked to absorb.

We strongly reject the notion that the arts are a low priority. The arts are a basic human need. Without art and music, without outlets for creativity, without room for the human spirit to explore and grow, our world is empty. All cultures throughout time, no matter how primitive or how poor, have had art and music. Art is necessary to life.

continued...

A civilization is defined and remembered not only by the wars that are fought, but by the works of art, architecture, literature, theatre, and music that are created. Pericles, ruler of Athens, fought the Peloponnesian War; he is remembered for the construction of the Acropolis, crowned by the Parthenon. The Italian Renaissance was permeated by armed conflict. Few can remember the battles, or the reasons why they were fought; yet, our children know Michelangelo, Raphael, and Leonardo de Vinci. The reign of Elizabeth I is remembered through the poet who defines the age -- William Shakespeare.

So, too, our nation will be remembered for its culture and what we create. For many decades America was considered a provincial outpost for European culture. Today, the United States has taken a leadership position in the performing arts. Our arts institutions are the envy of every nation on earth. American orchestras rank equal to the world's finest, and may well be our best ambassadors. When the Boston Symphony Orchestra traveled to China for a groundbreaking tour, the musicians spoke no Chinese. Yet, they communicated with more people and created more goodwill than did years of diplomatic efforts.

In its short history, and with a fraction of the money given to other agencies of government, the NEA has made great strides in increasing opportunities for artists and audiences

continued...

alike. Orchestras today reach deep into their communities and far beyond their concert halls, without compromising artistic quality.

To continue the pursuit of excellence, symphony orchestras face many challenges now and in the future. Orchestras must ensure the ongoing development of new repertoire. They must nurture gifted young conductors, orchestra musicians, and solo artists. They must captivate new audiences in their communities, on tour, and through the electronic media. Orchestras must offer improved employment conditions for their musicians, both in economic and artistic terms.

The establishment of the NEA represents a commitment by the federal government, for the first time in history, to the development of the arts in the country. The NEA's success in carrying out its mandate is evident everywhere. It has challenged private individuals, foundations, corporations, and state and local governments to support the arts. And they have responded. As a justification for a cut of 50 percent in the budget, the administration claims that the federal government has become the "financial patron of first-resort," replacing traditional sources like corporations and individuals. Nothing could be further from the truth. Since the Arts Endowment was created, corporate support for the arts has risen from $22 million to $436 million. With its provision that each

continued...

dollar of program money be matched one-to-one and each dollar from treasury and challenge grants be matched with three non-federal dollars, the Arts Endowment has challenged orchestras to increase private funding and find new sources of support. Orchestras have met that challenge. In 1965, the year before the Arts Endowment was created, corporate gifts to orchestras totaled $2.4 million. Today, that total is $15.6 million. Additionally, support from private individuals, which was $9.9 million in 1965, has risen to $41.4 million. And, with help from the Arts Endowment Challenge Grant program and increased private giving, yields from orchestra endowments and investments have increased from $2.7 million in 1965 to $22.3 million today.

Last year, with $9 million in program funds, orchestras raised $21 million from private and other government sources. Challenge grants continue to be as successful. The Saint Louis Symphony used a $1 million challenge grant to raise $8 million. The Boston Symphony used a grant of $850,000 to raise $11 million.

In addition to the actual funds orchestras receive from the federal government, the Arts Endowment has played an important role in the creation of major programs that stress continued excellence for orchestras. AT & T, through the Bell System Orchestras On Tour Program, assists major orchestras with extensive domestic touring to bring the highest quality orchestra music to communities

continued...

of every size. The Exxon/Arts Endowment Conductor Program is a joint government/corporate effort designed to seek out and develop talent demonstrated by promising young American conductors.

Rather than sparking increased giving from private sources, a 50 percent cut in the Arts Endowment budget may do the opposite. Many corporate leaders have already suggested that increased support on their parts cannot be expected to make up the loss in federal funds. States and localities, which increased their support for the arts in response to the federal cue, may well cut back their support if the federal government changes its priorities.

With each dollar of Arts Endowment money generating an estimated five dollars, a cut of $88 million could become a loss to the arts of $440 million. While orchestras as a group are better managed than ever before, the line between a balanced budget and a deficit is very fine. Faced with a loss of federal funds and a potential cutback in other sources, those programs that have been painstakingly built up since 1965 will be cut. Orchestras depend on the Arts Endowment for only 5.5 percent of their budgets, yet that slight percentage is vital because of programs it supports and the funds it helps raise. For the federal government to reduce this commitment to the arts will send forth the message that the arts are no longer important, which will likely reverse the gains of the past 15 years.

continued...

In determining the extent of the loss to orchestras that the proposed budget cut represents, it is important to look at how orchestras have grown in the past 15 years.

All arts disciplines have grown in numbers, and orchestras are no exception. But unlike dance troupes, most of which were created during that 15-year period, orchestras are not new. Major orchestras like the New York Philharmonic date as far back as 1842 and the Boston Symphony celebrated its centennial just this year. But the world of orchestras also includes the Bangor, Maine Symphony which celebrates its 85th anniversary this year, the Cedar Rapids, Iowa, Symphony which is 60-years-old, and the Albany, New York, Symphony, which is 50-years-old.

But most importantly, the past 15 years have shown tremendous growth in the variety of services that orchestras provide for their communities. It is in this area, with the help of the Arts Endowment, that orchestras have flourished. According to data from the American Symphony Orchestra League, the number of concerts orchestras performed tripled, from 5,247 in 1965 to 16,437 in 1979. Audiences at those performances totaled more than 23 million in 1979.

The growth in the outreach programs of orchestras has been equally impressive. Educational activities, which include the traditional Children's Concerts, ensemble performances in schools, and private lessons, now reach more than 3 million students every year. Free ensemble performances, which include

continued...

in-school demonstrations, master classes, visits to nursing homes and hospitals, and performances in public places are heard by an additional 1.5 million.

Last year, free concerts by full orchestras had an audience of 2.5 million at more than 3,000 performances, an increase of 20 times over 15 years ago. And, tours by orchestras to outlying communities bring music to an additional 2.8 million people, many of whom would not have any other chance to hear an orchestra play.

It is these activities that make orchestras a total musical resource, providing service to all parts of their communities. It is these vital activities that have flowered with the encouragement and funding from the National Endowment for the Arts. And, sadly, it is these activities that will be the first to be cut if funding is so dramatically reduced.

Orchestras can and want to continue these activities. Orchestras can and want to provide more services. To cut the Arts Endowment budget by 50 percent and reduce the arts to a low priority budget item will tell the American people that the arts are no longer important. To do that is to put an end to these programs and to still the music they bring to millions.

American Symphony Orchestra League

LIST OF WITNESSES -- SYMPHONY ORCHESTRA PANEL
House Appropriations Subcommittee on the Interior
March 25, 1981 Room 2154 Rayburn House Office Building

Mr. John Williams
Conductor, Boston Pops Orchestra
Composer

Ms. Ani Kavafian
American solo violinist

Mr. Maurice Abravanel
Music Conductor Laureate, Utah Symphony Orchestra

Mr. James Buswell
American solo violinist
Faculty, Indiana University

Mr. Gerard Schwarz
Conductor and Music Director, Los Angeles Chamber Orchestra
Conductor, 92nd Street Y Chamber Orchestra, New York

Mr. Sergiu Comissiona
Music Director and Conductor, Baltimore Symphony Orchestra

Post Office Box 669 Vienna, Virginia 22180 703/281-1230

American Symphony Orchestra League

Bulletin

JOHN WILLIAMS

John Williams was named the 19th conductor of the Boston Pops on January 10, 1980. Born in New York in 1932, he moved to Los Angeles with his family in 1948, where he studied piano and composition at the University of California, and privately with Mario Castelnuovo-Tedesco. He was also a piano student of Madame Rosina Lhevinne at the Juilliard School in New York. While in New York, Williams was active as a pianist, working with leading jazz musicians both in clubs and on recordings. He returned to Los Angeles to rejoin his family, and began his work in the film studios, working with such composers as Alfred Newman, Dmitri Tiomkin, and Franz Waxman. Mr. Williams went on to write music for "golden age" television programs like Alcoa Theater, Kraft Theater, and Playhouse 90 -- winning two Emmys for his work in television -- and has since become the most sought-after composer of film music in the world.

He has also written concert music, including two symphonies, a flute concerto, and most recently, a violin concerto premiered by the Saint Louis Symphony.

Mr. Williams has composed the music and served as music director for approximately 60 films, including "Jane Eyre," "Goodbye, Mr. Chips," "The Poseidon Adventure," "The Towering Inferno," "Earthquake," "Jaws," "Star Wars," "Close Encounters of the Third Kind," "Superman," and "Dracula." For his work in films, Mr. Williams has received 14 Academy Award nominations, and he has been awarded three Oscars: for his filmscore arrangement of "Fiddler on the Roof," and for his original scores to "Jaws" and "Star Wars." This year, he has won his ninth and tenth Grammys for the score to the film "The Empire Strikes Back," which he has recorded with the London Symphony Orchestra.

Mr. Williams' conducting experience includes concerts of light classical music with orchestras in London, Los Angeles, Atlanta, Pittsburgh, and Dallas. He was guest conductor with the Boston Pops for two Symphony Hall programs in May of 1979, and since his appointment as Pops Conductor he has led the orchestra at Carnegie Hall, on a midwestern tour to Chicago, South Bend, and Detroit, and in Providence. Mr. Williams was also co-conductor for a BSO/Pops Marathon fundraiser with BSO Music Director Seiji Ozawa, shortly before he opened his first full season as conductor of the Boston Pops on April 29, 1980.

Post Office Box 669 Vienna, Virginia 22180 703/281-1230

American Symphony Orchestra League

Bulletin

MAURICE ABRAVANEL

When Maurice Abravanel came to Utah in 1947 as music director and conductor for the Utah Symphony, he found a fledgling orchestra that had just completed its first year as a professional ensemble. Since that trial season the Abravanel spirit has made an indelible impression on the orchestra and the state of Utah. When he stepped down in 1979 on the advice of his doctor and became music conductor laureate he left an internationally acclaimed orchestra, ranked among the top 12 in the nation.

The 10-concert schedule of 1947 expanded to over 200 in maestro's final year. He conducted the orchestra on four international tours, to Europe, Britain, Latin America, and numerous national and regional tours. His 32 years with the Utah Symphony marks the longest tenure of any conductor with a major U.S. orchestra with the exception of Eugene Ormandy in Philadelphia.

Maestro Abravanel left his native Greece early in life to commence his impressive career. He made his debut in Neustrelitz, Germany in 1923, with the Berlin State Opera in 1930, in Paris and Kassel in 1932, and with New York's Metropolitan Opera in 1936. He conducted in Australia during the years 1934 to 1936 and 1945 to 1946. His studies with Kurt Weill in 1922 and 1923 began an association that resulted in the maestro's conducting the world premieres of all of Weill's American productions.

From 1956 to 1979, Maurice Abravanel served as music director of the Music Academy of the West in Santa Barbara, and now acts in an advisory capacity. He won the Antoinette Perry (Toni) Award in 1950 for "Regina" (The Little Foxes) and has twice been nominated for Grammy Awards (1979 and 1980).

Appointed by President Nixon in 1970, he served for six years on the orchestra/opera advisory panel and the National Council on the Arts of the National Endowment for the Arts. He has been the recipient of 22 awards and honorary degrees from numerous music societies, academic institutions, and civic organizations. He has served as a board member for several music and arts councils, including vice chairman of the American Symphony Orchestra League.

Post Office Box 669 Vienna, Virginia 22180 703/281-1230

American Symphony Orchestra League

Bulletin

SERGIU COMISSIONA

Sergiu Comissiona, music director of the Baltimore Symphony Orchestra since 1969, has been much sought after in recent years as a guest conductor and musical adviser for other orchestras. He is artistic adviser of the Houston Symphony, music adviser and principal conductor of the American Symphony Orchestra in New York, and has accepted the post of permanent guest conductor of the Radio Philharmonic Orchestra of the Netherlands for a three-year period beginning with the 1982-83 season. Comissiona has also served as artistic adviser of the Temple University Music Festival.

Born June 16, 1928 in Bucharest, he began his conducting career as music director of the Rumanian State Ensemble Orchestra and as principal conductor at the State Opera. He emigrated to Israel in 1959, where he soon accepted the post of music director of the Haifa Symphony Orchestra. In 1960 he formed the Ramat Gan Israel Chamber Orchestra, with which he toured Europe, Canada, and the United States. Comissiona conducted all the major orchestras of London and at Covent Garden, and made his American conducting debut with the Philadelphia Orchestra in 1965. Directorial and advisory posts with the Goteborg Symphony in Sweden and the Ulster Orchestra in Northern Ireland occupied him during the 1966-67 season, during which he also made his first appearance as guest conductor of the Baltimore Symphony.

Since taking command of that orchestra, Comissiona has continued to expand his international conducting career. He has directed major orchestras in 21 countries on six continents, and has recorded with the Baltimore Symphony, the Goteborg Symphony, the Israel Chamber Orchestra, and l'Orchestra de la Suisse Romande. His summer engagements have included, in addition to the Temple University Music Festival, the Aspen and Chautauqua Music Festivals, the Pittsburgh Symphony Orchestra, and the Casals Festival Orchestra in Puerto Rico.

A Romanian by birth, Comissiona held Israeli citizenship from 1959 to 1976, and became a U.S. citizen on Independence Day 1976.

Post Office Box 669 Vienna, Virginia 22180 703/281-1230

American Symphony Orchestra League

Bulletin

GERARD SCHWARZ

One of America's most dynamic and talented young conductors, Gerard Schwarz has been catapulted to national attention in four short seasons. He is music director of the Los Angeles Chamber Orchestra, New York's Y Chamber Symphony, and the Waterloo Village and White Mountains Festivals.

He was born in New Jersey in 1947 to parents who emigrated to the United States from Vienna. Both are medical doctors. He studied piano from the age of five, receiving awards from both the National Federation of Music Clubs and the Griffith Foundation of Newark. Attracted to the trumpet at age eight, Schwarz soon became a pupil of William Vacchiano, first chair of the New York Philharmonic, and continued his musical training at the School of Performing Arts in New York, the National Music Camp at Interlochen, and the Juilliard School. At 18 he joined the American Brass Quintet, and in 1972 was engaged as co-principal trumpet with the New York Philharmonic. Schwarz studied composition with Paul Creston, and has held teaching assignments at the University of Connecticut, Temple University, the Mannes School, Montclair State College, Brooklyn College, CCNY, Columbia Queens College, Juilliard, and the Aspen Music Festival, where he was a faculty member from 1969 to 1975.

In addition to his Philharmonic duties, Schwarz found time to further his interest in conducting with the Erick Hawkins Dance Company, the Soho Ensemble, and the 20th Century and Chamber Orchestras of Montclair State College. After achieving world recognition as a trumpet virtuoso through numerous solo appearances and recordings, Schwarz resigned from the New York Philharmonic in 1976 following four seasons as co-principal trumpet in order to concentrate on a full-time conducting career.

From 1976 to 1980 he was music director of the Eliot Feld Dance Company. When the 92nd Street YM-YWHA formed the Y Chamber Symphony in 1977 it found an enthusiastic and inventive music director in Schwarz, who since that time has increased the initial five-concert season to 25 concerts and extended the orchestra's playing range from the Y to Avery Fisher Hall and beyond. In 1978 he guest conducted the Los Angeles Chamber Orchestra and was immediately appointed its music director through 1981-82. Schwarz brought that orchestra to Carnegie Hall and the Lake Placid Winter Olympics in 1980 and has expanded its recording activities.

American Symphony Orchestra League

THE AMERICAN SYMPHONY ORCHESTRA LEAGUE

The American Symphony Orchestra League is the national professional service association, chartered by Congress, for North America's symphony orchestras. Founded in 1942, the League exists to serve orchestras--to ensure their artistic excellence and administrative effectiveness. For more than 40 years the League has encouraged orchestras, both large and small, to take responsibility as musical leaders and to provide the broadest possible service to their communities.

Post Office Box 669 Vienna, Virginia 22180 703/281-1230

Mr. FUENTEALBA. Naturally, as the president of the largest entertainment union in the world consisting of approximately 300,000 musicians, my prime concern are jobs, jobs for musicians. We have a very unique situation. Music is one of the most important parts of everyone's daily lives, and despite the fact that music plays such an important role, less than 25 percent of our members are able to earn their full livelihoods from music.

When the Endowment was created in 1965 we were very happy and elated because we felt that this would do a great deal of good in creating work for musicians, and in addition in increasing their incomes, and it has proven to serve that purpose. Through the years, as the years have passed the contributions from the private sector have increased tremendously. The grants from the Endowment have increased and we have seen more and more of our members able to secure employment through the funding that was created by the Endowment.

Now we are very distressed to see a proposal not only to reduce the Endowment grants but to reduce it to 50 percent, which is a much greater degree of reduction in the budget than in any of the other items in the budget. As the president of the professional musicians' organization and their representative, I am here today to urge you to consider the full funding, or if there are going to be any cuts at all that the cuts be kept to a minimum.

Musicians cannot live on applause alone. They must eat. They must work like everyone else, and we need that opportunity.

Thank you.

Mr. YATES. Thank you.

I referred to Ms. Kafavian. I look at it and it says "Ani".

TESTIMONY OF ANI KAFAVIAN

Ms. KAFAVIAN. That is right. It is Ani.

I am a violinist, and I have come to give testimony, my personal experiences as a young concert artist in the United States. I find that it is ironic that the last time I was in the city was in order to play for the inaugural festivities for President Reagan.

At that point I was representing the product of the flourishing arts in America, and here I am pleading for their existence two months later.

I am really one of the lucky ones, I find, because I got my start a little bit easier than some other people have. My career actually was not only started because of a talent or a gift or the schooling that I received but also in a large part due to the NEA, the National Endowment for the Arts.

Mr. YATES. In what way?

Ms. KAFAVIAN. Well, let me explain. It is all here.

Mr. YATES. It is interesting that you say that because yesterday we had the testimony of Mr. Ossie Davis, who came and was really a marvelous witness. He said that he had pulled himself up by his bootstraps but that Uncle Sam had furnished the boots.

Ms. KAFAVIAN. Right.

Mr. YATES. He began his career through an NYA scholarship. You are too young to remember the NYA but that was the National Youth Organization during the Depression years, and he started out that way.

Ms. KAFAVIAN. It is very similar, really.

Mr. YATES. Let's hear the story, then.

Ms. KAFAVIAN. When I was a student at the Julliard School, I was granted the National Education Act Fellowship scholarship. At that time, not only did that help me to study for my doctorate degree but also it paid for my apartment and helped me buy food in New York City, which is a big thing.

Not only that, it also gave me some other benefits. I was able to teach at Julliard for a while, get my early teaching experience. Also, maybe the most important thing was that it gave me time to practice. I did not have to worry about the financial burdens and I was able to concentrate on my individual work.

I am a believer in the "snowball" effect. Because I was able to practice, I feel that is one of the reasons why I was able to win this international competition for a group called the Young Concert Artists. It is a management organization. It is a nonprofit organization that is really flourishing right now in New York, and they send their young artists all over the country, literally.

I have been to Rexburg, Idaho, Grand Forks, North Dakota, Houghton, Michigan, and some other lesser-known cities.

What really is the important thing is, the NEA was very much involved with most of these engagements during the five years that I was with the Young Concert Artists, because they gave matching grants and support grants to many of these communities.

One of the reasons for that was not only that I played a recital or a concerto with the orchestra in the community but I also was in residence there for 2 to 5 days, sometimes 7 days, where I interacted with the members of the community by giving master classes to the university students, what we call "mini recitals," short 20 to 50-minute recitals for the students, and lecture demonstrations for the younger ones that had never heard or seen a violin before.

I will never forget this one experience I had while I was at a junior high school. I gave my lecture demonstration and I asked for questions. Way in the back this boy raises his hand and says, "Excuse me, Miss. Did you get your start on the Gong Show?"

This is the relation that these kids have to the arts, the Gong Show. Maybe it is not altogether bad, but I felt that I was bringing something that he really had not heard before and it meant something to him. He kept on asking other questions; he was very interested.

A more touching, poignant story for me was at the end of a 2-week tour in the Midwest some place where each city was more difficult than the one before, and each concert I just sort of pushed myself out on the stage and said, "You have to do this. It is your profession."

I came offstage once after the end of a recital. I was very, very tired and I sat back in the dark. Nobody was around and all of a sudden I felt this tap on my shoulder. It was a little lady, and she had to come backstage, she said she just had to shake my hand and touch me because she had had such a moving experience. She was crying while she was talking to me. This was something she had never heard. She was not going to be living much longer, and it was a very touching moment for me.

I realized what all of us artists bring to communities like this. It is not only the experience that we give to them but we take back

the experience for ourselves of performing, which is tremendously important for our careers. This is the experience I feel that I needed in order for my career to really blossom, which thank goodness it has.

Now I not only give concerts in Sitka, Alaska but I also play with the Detroit Symphony and the New York Philharmonic, and in two and a half weeks time, my favorite one, the Philadelphia Orchestra. I feel also like Beverley Sills, that I should be wearing a dog tag that says, "My career was made in the United States of America."

I think also it is very important for me because I was not born here. My parents and I came to this country from Istanbul, Turkey when I was very, very young and I started the violin lessons in Detroit, Michigan. I think that was sort of important to us because my parents came to this country because they had heard it is a land of opportunity. It was a place where I would get the best schooling. The best teachers were here.

I really got that opportunity. I was one of the lucky ones, again, and I just cannot believe now that the young and wonderfully talented students now are not going to get the same chances as I did, or that the communities and the orchestras in this country are not going to have more money to support themselves and the arts.

I just want to say that I believe in national defense and I am very happy that President Reagan supports that. However, maybe more importantly, I believe that you leaders and the leaders of our country have to protect and preserve the quality of life in this country that makes it so special to live here.

Mr. YATES. Thank you very much for a very moving statement.

Ms. Kafavian, that may be the most moving and effective performance you have given so far.

Ms. KAFAVIAN. Thank you.

I would like to also add that I love to introduce this person next to me. His name is Maurice Abravanel.

Mr. YATES. We know Mr. Abravanel.

Ms. KAFAVIAN. He is one of the deans of American conductors in this country, and he was for a long time conductor of the Utah Symphony. Now he is retired and they have appointed him conductor emeritus.

Mr. Abravanel.

Mr. YATES. We are delighted to have Mr. Abravanel. I think that when we think of the West we should think of Mr. Abravanel, too. Too frequently we think of cowboys and rodeos and other things, in other ways than Miss DeMille's "Rodeo".

Mr. Abravanel is certainly one of the great voices of the West, and we are delighted to have you again. He appeared before us two years ago, and he gave us very, very important testimony. We are glad to have you again, Mr. Abravanel.

TESTIMONY OF MAURICE ABRAVANEL

Mr. ABRAVANEL. Mr. Chairman, you are very kind.

I want first of all to thank this committee for earmarking 5 hours to discuss the importance or nonimportance of funding the arts. Obviously for you it is not an item of low priority.

Mr. YATES. That is correct.

Mr. ABRAVANEL. For that I congratulate and thank you, all of you.

May I read the last two paragraphs of a statement by the Utah Arts Council? They are very beautiful and short.

Mr. YATES. You may read them provided you pull the microphone closer to you.

Mr. ABRAVANEL. Thank you.

> With help from the National Endowment, the State arts budget has increased tenfold and more over the last 15 years. This year the legislative body was determined to reduce government spending and did cut the budgets of nearly every State agency, some by 30 and 35 percent. The arts budget, however, was increased again.
>
> The arts have never received what they ought to receive from a Nation that considers itself a leader among nations. There can be no excuse for cutting an already too-small budget. If Utah, with its limited economy, can increase its arts budget during this period of economic stress, surely we can expect our Nation to do as well.

I did not write it.

Mr. YATES. It probably would have been even more beautiful had you written it.

Mr. ABRAVANEL. Thank you.

I know very well the difference between the Utah budget and the Federal budget. You have to fight inflation. We all agree with you.

Why do we fight inflation? So that we can protect America. We fight inflation but even so we do not reduce the spending for defense, because this is even more important than inflation.

The point is, are the arts important or not important to this Nation? What is proposed is simply to jump in the lake to avoid getting wet from the rain, cutting something very important. Believe me, the arts are the victims of inflation, not the cause of inflation.

We have been told by this administration that inflation is a result of bad Government policy. Now our Government is punishing us for their own mistakes.

The budget for the arts has been dealt with as if it were an ongoing program, fully funded. It is not. It is a program in its infancy. For 190 years the Federal Government did not take any interest in the arts.

As a matter of fact, when Mr. Smithson wanted to make a donation so that mostly scientific but also cultural, and eventually artistic pursuits could be confronted with, Congress took 10 years before it accepted that donation. Now who is not happy today that Congress finally did accept it?

Mr. YATES. It took the eloquence of John Quincy Adams to persuade Congress to accept it.

Mr. ABRAVANEL. There you are. Today the Smithsonian Institution is a beautiful example of the uniquely American way of dealing with the arts and all those things.

I had the Minister of Culture of Sweden in Salt Lake not long ago. I asked him how are they supporting their orchestra in Stockholm, 85 percent?

He said, "Oh, no, no, no." He said, "Which orchestra?" They have 3 orchestras of 100 musicians each, one for symphony, one for opera, one for radio, all supported by the State.

I said, "Not 85 percent? Maybe 80?" He said, "No, 100 percent. Whatever comes in the box office is gravy. That is very nice but the government is fully responsible."

I prefer the American way. I prefer the way where Government is part of it and a very small part. I said the program is in its infancy. I can prove it. What we asked and has been cut radically was 70 cents per capita.

This compares with Margaret Thatcher's austerity budget in Great Britain of $3.60 per capita; $6.00 in Canada; $8.18 in France; $28 in Denmark. However, I want to be fair. There are also nations that give less. Libya and Iraq give less than even Washington.

Why not go all the way? Uganda does not give anything.

Now Mr. Block and the AT&T have beautifully demonstrated, as has The Wall Street Journal, as has the Chicago Tribune—which I think is a paper that should be close to this Administration—yesterday in the plane I read their interpretation of a study made by Johns Hopkins University about the purely material rewards of helping the arts. After reading that, I came to the conclusion we should have 360 major symphony orchestras, 10,000 museums, and the Nation would be saved.

Let me tell you just a few things: I believe, and I say that not as a gimmick, I believe in the total honesty and dedication of not only our President but even of David Stockman. I saw him on TV. I was very impressed. He is obviously a very brilliant man.

Now his little black book said several things that were touched upon this morning: one, the Federal Government through the Endowment attempted to become the primary source of funding, the first resort. As you know, most programs get 5 or 6 percent of their expenses from the Federal Government. Therefore, this is wrong. It is not a matter of interpretation. It is just plain wrong.

Two, they said that the Endowment program has tended to diminish the level of support from corporations and private donors. You heard in the testimony before that is totally, completely wrong. It is an insane assertion when 20 times as much is being given in corporate support today than it was when the National Endowment started.

I will give you a little example. In Utah, with very wonderful people on the board of the Utah Symphony, we never needed more than around $45,000 a year in contributions from 1947 when I went there until 1966, 1967, $45,000. Today it is $1 million.

When I went there the salaries for my musicians were $1,000 a year. Of course they had to have other jobs. I started going to schools right away. What happened? From 1947 until 1969 our musicians would get whatever they got for their service, which was at the start $6.25. By 1966 it had grown to something like $10 and even $12 in 1966.

In other words, the salary had been $1,000 a year; by 1966 it was $1,940 a year. Today it is $20,800, in a small town. Is it the Endowment? Yes, it is the Endowment. Utah is a small State. Salt Lake is a small city and so we could not amortize the cost of a concert, several rehearsals and all the other expenses.

We wanted to tour. We were bombarded with letters from Montana, Idaho, Nevada, all over those Western States where the Utah Symphony is the only major orchestra between Denver and the coast. We never could make it. In comes the National Endowment and their first idea was availability of the arts.

I remember the chairman under whom I had the great joy of serving, Nancy Hanks. She came back always to availability of the arts: "We want every American citizen to have an opportunity if he so wishes to partake in the great arts of this country." All of a sudden, right now, today my orchestra is playing in Wyoming, Cody, Wyoming, the home town of Buffalo Bill.

I conducted in Wyoming, Montana. I remember Senator Mansfield. I never saw such a smile on his face as when I told him we are going to Montana. He said, "Where?" I told him, Helena and Bozeman, Missoula, those big metropolises, you know. However, when I told him Dillon, Harvre, Montana I don't think he smiled that much in his entire life, even in Japan.

Look, my friends, the fact that you are here, the fact that you are listening proves that you are interested. Mr. Reagan, in his speech, pointed to the fact that this Nation does more, gives more to the arts than any other Nation. This is correct as far as private people are concerned.

The Mellon people gave their priceless collection, which is really one of the glories of the National Gallery; Mr. Smithson. However, to date my figures are right. Federal spending, even after Mr. Stockman, for the Smithsonian is $156 million; private spending is $98 million. This is a good kind of proportion and we are all proud of it. It would be silly, no matter how important the fight against inflation is, it would be silly to destroy those very things we want to protect from inflation.

Now Mr. Reagan said that but let me tell you about how it went without Government spending. Not so long ago the New York Philharmonic musicians went on strike. What was their goal? They wanted to have the same salaries as the garbage disposal men in New York. Now if that is not a shame I do not know what is a shame. Now they have passed those salaries. They would like to have as much as the bus drivers for Greyhound.

This is what they can do with increased spending for the National Endowment. I do not want to keep you too long. I could tell you about my musicians getting that $6.25. One-third of them were school teachers, so they were docked because they could not teach that day for $30. In order to give free concerts in schools, my musicians sacrificed for 20 years.

You know who changed that? Dr. T. H. Bell, Secretary of Education in this administration. He came to concerts in schools that were considered very unruly, with bad discipline. He could not believe when he saw those very children who were so tough otherwise listening intently to Beethoven and Bach and Copeland and Barber. He said, "The State must pay for that," and the State is paying for that, thanks in part to what the Endowment gives.

That is all I have to say. Mr. Yates, Mr. Chairman, you were very kind. Last year I concluded my testimony in saying, "We must tighten our belts." Let's be sure we tighten them around our stomachs, not around our hearts and souls.

Mr. YATES. The Chair would like to say that it is not usual for such demonstrations of applause to take place in a congressional hearing. In the absence of objections from my colleagues on the committee, I assume it is perfectly all right for the audience to do it?

[No response.]

Mr. YATES. Okay.

Thank you very much, Mr. Abravanel, for a very moving and persuasive statement.

Who is the next witness?

TESTIMONY OF JAMES BUSWELL

Mr. BUSWELL. My name is James Buswell. It is a great pleasure to once again be sitting next to Mr. Abravanel, with whom I played quite a few years ago in Utah. His musicmaking, I assure you, is just as impassioned and just as persuasive as his speaking to you today.

Mr. YATES. He must be a very hard, tough conductor, though.

Mr. BUSWELL. He is a more difficult act to follow as a speaker.

As I prepared for this opportunity, I was constantly fascinated by the objections that have been raised to the importance of the arts in this country. I thought of two or three experiences that I have had in the recent past that have led me to be very skeptical of these objections that are raised.

I am a violinist, a professor at Indiana University where I am trying to teach some of the young people who will take my place in the future in orchestras and performing as soloists with orchestras.

Most recently I participated in the Spoleto Festival. This country has been conspicuously lacking in a major summer arts festival, and the great composer, Gian-Carlo Menotti, had a vision that he could bring his great Italian festival to this country and have an American festival in Charleston.

When he first said that, many of the people around this country said, "Charleston? How can you possibly do that in South Carolina? How can you possibly do that in Charleston? There is not enough grassroots interest in the arts in this part of the country."

He was not daunted by this. He went ahead and started to make plans for a festival, and I had the privilege of arriving there about a week before the festival started. I still remember the editorials that came out in the local papers: "Here we have all these artists in residence. Where are the audience?"

Mr. Menotti was vindicated, the great climax to that first year being the performance that we gave at the Middleton Plantation where there were over 100,000 people present. What happened there is that there was some support from the Federal Government for the starting of this festival, which was just a small seed to encourage a community. I have never seen a community so dramatically encouraged as it was in this particular case.

From that small encouragement that was given by the people in Washington arose a group of people who loved the arts and who came and supported it. I am very pleased to say that I am not myself the recipient of the funds from the Government. My particular salary that summer and in future summers was paid by a private corporation and by the executive of a private corporation who said, "We are excited about what is going on here. I am going to write a check to pay for all of the chamber music concerts in the Dock Street Theater," which incidentally is the oldest theater in this country for the presentation of musical concerts.

Also, more recently, in November I participated in a festival in Naples. I was the only American present. There were artists from all over the world, and I had an interesting question asked to me

which I think brings up the whole issue of, is it appropriate for the Government to indeed be involved in the arts to the extent that it is, to the extent that many artists would like it to be involved.

My colleagues from Iceland, from Germany, from South America, they said to me, "There is something special about the way you make music." They were not just speaking of me. They were speaking of my colleague Lynn Harrell who had been there the year before and other Americans who had come in previous years.

They said, "There is more vitality, there is more freshness, there is more energy," and gentlemen, at that moment I was very, very proud to be an American. I thought to myself, "I think one of the reasons for that vitality and freshness is precisely the fact that our Government has been enlightened in the sense that it is willing to encourage without controlling."

This is what has happened often in some of the countries of Europe, that the encouragement of the arts has gone beyond encouragement to control. In this country the encouragement of the arts has done just that, it has encouraged the arts but it has not meddled with the freedom of the artists and the freedom of artistic expression. Therein lies the vitality which made me proud to be an American at that moment.

Tomorrow I will go back to Indiana University and to Bloomington, Indiana, and I will teach a class of students. We have at Indiana University over 1,600 music majors. I am going to try to guide them into a walk of life that will be fulfilling to their artistic talents and gifts.

It concerns me that people say, "Well, the best possible way to develop the arts is to put it in the marketplace where it belongs." If there is any doubt in any of your minds that there is a marketplace out there, I suggest you ask an oboist who has gone to compete for the 2nd oboe position of an orchestra in this country and found 125 other young oboists who all paid their way to get to that city to compete also. That does not include another 150 who decided not to come because they did not have the money to fly out there and compete.

There is a very real marketplace there, and what most of my students want to do, they want to become part of a symphony, part of an orchestra, but that is not the end of their aspirations. Their aspirations are also to teach, to play in chamber music, to go into the homes of their friends and their colleagues in each city that they serve and to be active in a total environment.

They will go and teach young people. They will go and educate in older situations. They will go and minister to needy people. It is at times like that that I feel these students really have a burden which is above and beyond just the ambition just to make music.

Finally, there is always the question which has been addressed already several times this morning, are the arts really for the elite only? I ask myself that sometimes but then I remember a lovely and very true story that is very brief.

There was once a man lost at sea who was a violinist like myself with an instrument. He stayed one night at a lighthouse where he met an elderly gentleman.

ELDERLY GENTLEMAN. What is that you have there?
VIOLINIST. It is a violin.
ELDERLY GENTLEMAN. What is that?

VIOLINIST. It is a musical instrument.
ELDERLY GENTLEMAN. What is that?
VIOLINIST. It makes music.
ELDERLY GENTLEMAN. What is that?
VIOLINIST. Well, I will tell you what I will do. I will just take it out and play it for you.
ELDERLY GENTLEMAN. Very well.

He took the violin out and he played a partid of Bach for him for about 20 minutes. At the end of that 20 minutes he stopped, looked at his audience, did not see any immediate reaction and thought, "Well, there you are, he really did not know what I was doing."

Just as he was about to turn away the old man looked up at him with tears in his eyes and said, "Yes, that is true."

Thank you.

Mr. YATES. I want to tell you that years ago I, too, went to Indiana University to play but I went to play basketball. I do not think they had their music school at the time I played basketball.

May I say that they now not only have an excellent basketball team, perhaps the new national champions—we will have to wait and see about that—but they also have an outstanding music school and are one of the great centers of culture.

Mr. BUSWELL. Well, I must say it took a tremendous amount of energy on the part of a very great man named Wilfred Bain, whom you knew if you were there, who made the State legislature of Indiana aware of the fact that it was possible to bring great glory to the State of Indiana through the arts as well as through basketball.

I am a great basketball fan and I am rooting for the Hoosiers just like the rest of my colleagues.

Mr. YATES. Okay.

Mr. BUSWELL. What happened was, about three years a poll was taken of the citizens of the State of Indiana. They said, "What is the first thing you think about when you think of Indiana University?" The majority of the people responded, "Music."

Mr. YATES. Good.

May we have the next witness, please.

TESTIMONY OF GERARD SCHWARZ

Mr. SCHWARZ. Thank you. My name is Gerard Schwarz. I am a conductor. I am the music director of the Los Angeles Chamber Orchestra and a number of other organizations.

It seems to me what all of my colleagues have said here is absolutely foremost in all of our minds. These are the most important thoughts that we all have because the arts here in the United States are at a threshold. We have accomplished a tremendous amount. Things have been accomplished here that one could not imagine 50 years ago.

I recently read a book about Artur Rudzinski. Rudzinski was Polish and he traveled between the United States and Europe like many musicians did. He was a music director in Cleveland for 10 years.

During those years when he was traveling between Cleveland and Europe for his summer vacations, there were all the other conductors who conducted American orchestras traveling on the same boat. He often met Bruno Walter or Monteux, or he met Munch or whomever were the popular conductors here in the United States.

It was not until he in fact appointed Leonard Bernstein in the late thirties and early forties that an American-born conductor had a place to begin in this country.

If I look at what has happened in my life, I am from Weehawken, New Jersey. I grew up in New Jersey in New York. I studied in all public schools and I went to Julliard. I came up through the ladder, through the orchestral ladder, the ladder that Jamie discussed in terms of his students.

I auditioned for the New York Philharmonic and I became the co-principal trumpet there. I spent many years playing in that orchestra, playing for many audiences, playing hundreds of concerts. The most important concert I think to me in my years in the New York Philharmonic was once when I played the Haydn trumpet concerto with Erich Leinsdorf in the parks in New York.

I must say it was a very stunning concert that Leinsdorf prepared for the orchestra. It was of the highest possible quality and we played it for over 100,000 people. You can imagine the feeling that any performing artists would have walking out onto a stage before 100,000 people. It was very difficult for me actually to make my first entrance, I was so awed at bringing this great art on such a high level to so many people.

What we have done in this country is brought the arts to so many people. Our orchestra in Los Angeles does outreach programs all over the State, programs that we could not do without the help of the NEA. The NEA gives us the seed money to begin. We began a series in a town outside of San Diego called El Cajon last year. It was a very difficult series to start. We had 100 subscribers.

My orchestra is a small orchestra, only 40 people in my orchestra, but of course like every other orchestra in the United States, it is not possible to pay for our orchestra through ticket sales. Our orchestra because it is a small orchestra does not play in enormously large halls, either, or it negates the purpose of a small orchestra.

Well, we worked very hard on that series. A year later we were sold out on almost all of our concerts there. My board would not have accepted the first season had we not had some support from the NEA to warrant us taking the chance, and now we are bringing that music to that many more people and creating that work for my men in my orchestra.

The NEA has encouraged American conductors, American performers and American composers, something that is very dear to my heart. I took over my orchestra from Nevil Marriner, an Englishman, a great conductor. When I was interviewed by the L.A. Times, they asked me what the big difference between my tenure and Mr. Marriner's tenure would be. I said that I would do more American music the way he did more English music. That is in fact what I have done.

Forty years ago it is hard to imagine that an American-born conductor could be in the position that I am in today. It is only because of the environment that has been created by the NEA, been created by the private sector and by the corporations in the tremendous support they have given to the arts. The NEA has not been the leader in terms of the financial contributions but they have been a leader for the corporations, for the private sector, and

have given us artists the encouragement that we need to look to maybe the most important part of our lives, our civilization.

It is certainly the most important part of our lives here because that is what we care about, aside from maybe our families that is what we care most about. The arts is something that this country has taken way beyond what anyone could ever have guessed, brought it to more people at a higher quality than ever before. It is at this time when it has to be yet more encouraged to have it go further and to maintain the incredible quality that has been created.

Mr. YATES. Thank you very much, Mr. Schwarz.

Are there any questions from members of the committee?

Mr. DICKS. I would just like to make one observation.

Mr. YATES. Mr. Dicks.

Mr. DICKS. I will be quick because I know there are a lot of other witnesses who are waiting to testify. I am struck by the fact that the figures we have from the National Endowment for the Arts indicate that symphony orchestras in the United States have increased from 25 in 1965 to 150 today. The audience in 1965 was $10.5 million and today it is $22 million.

Therefore, what we have heard today indicates that there has been tremendous growth and tremendous response by the American people for a very small investment that I believe is made better by the challenge grant program.

I do not think people realize that with a challenge grant we get $3 for every $1 we put up for the Federal Government from the private sector. The American people are saying today that they are worried about how we spend their money. Do we spend it effectively? Do we get real results?

When $3 is contributed for every dollar we invest in the challenge grant program, this is the kind of cost-effective, hard-headed Government that they are looking for. That is why I believe that this is a good program and we ought to support it.

Mr. YATES. I just want to say to Mr. Abravanel that one of the joys of serving on this committee is the fact that we have supervision as well for the funding of the Smithsonian Institution. One of the treasures of Washington, apart of course from it being the seat of Government and furnishing the spectacle for the people of the country to come here and see how their national government works, is the opportunity to see the Smithsonian and the museums of the Smithsonian, and the performances that the Smithsonian puts on and those at the Library of Congress as well.

It is interesting that the recommended funding for the Smithsonian by the Office of Management and Budget did not recommend a 50 percent cut for the museums in this site and did not recommend a 50 percent cut in the other activities in this city.

That is why it is important not only that the arts flourish in this city, which is the Nation's capital but that the arts be brought as well to the people in the cities and in the other parts of this country as well.

Mr. YATES. May I say in passing that one of the strongest supporters of the Smithsonian has been Mr. Regula.

Mr. REGULA. Thank you, Mr. Chairman.

Mr. Abravanel, you gave us figures on the various countries and their per capita support for the arts but I believe you made the statement that in totality the United States has the greatest amount of suport for the arts when you include what is contributed in the private sector by way of support from individuals all across this Nation, plus the public.

Did I understand you correctly?

Mr. ABRAVANEL. Yes. There is no question. You see, in other states, mostly European, there was a tradition of royalty, of the church leaders supporting the arts. You know, Michelangelo would not be there without a Pope and without the Medici, and so there were always that kind of * * * I remember I went to Germany. I was raised in Switzerland but I went to Germany as a young man, and in each little locality the republican government wanted to show that it was not more Philistine than the duke or the prince or the king had been before.

Therefore, there always it was taken care of. Not in America. Therefore, you get in America a Colonel Higginson in Boston who paid the whole bill for the Boston Symphony. The family Clark paid the whole bill for Los Angeles.

I was offered the job in Houston when Salt Lake was on the ropes and I was told, "You know, we have a gentleman, Mr. Wortham, at the end of the season we tell him what the deficit is and he signs the check." Therefore, private philanthropy traditionally in America has been much bigger than in Europe.

Corporations, I am not so sure, when I see that the great composer, Elliot Carter, got the award from the Volkswagen Foundation. Here you have an American composer having to wait for a German corporation to be honored with a big award, because the Endowment does not have enough money.

Mr. REGULA. Given a choice, which would you prefer, the imposition from the State as to what they feel is the proper way to handle this, or the grassroots support from the people of the Nation which has been the history in the United States? Which one would you choose?

Mr. ABRAVANEL. I prefer the status that was where we were on the way to that status with the Endowment, with growing funding of the National Endowment. You cannot entirely depend on individual people. I mean, for instance, since Mr. Reagan's speech on the 10th of February, six important contributors reneged—that is not the right word—told my president they were sorry they could not stick through with what they had promised, which was $190,000.

Therefore, you cannot depend on that because if business is bad they stop. The American talent there is marvelous, absolutely. Suppose—an impossible supposition, God forbid—that they go Chrysler?

Then certainly the first thing that will go will be their contributions to the art, so we need both.

Mr. REGULA. I would point out that one of the witnesses said that 85 percent of the support comes from individuals, not corporate, individuals. You are saying., that you no longer have this faith in the people to support these programs, a system that has produced greater individual support than in any other nation in the world

76-703 0 - 81 - 5 (6b)

Mr. ABRAVANEL. I am not sure you understood. What I meant, definitely, was this: Before the Endowment, the private contributions, big as they were in some particular instances like the Mellons, you know, with the Mellon Gallery, all those people I just mentioned still were minute, very very small all over the States.

Since the Endowment, they have grown. Since the moment when it was said that the Endowment was going to cut down 50 percent, they already have gone down.

Ms. KAFAVIAN. If I could just add to Mr. Abravanel's statement, I do not think that we all believe it is just money support. We need the encouragement from the Government. In the private sector, the corporations need the encouragement, the belief from the Government that we are important, the artists are important.

Mr. REGULA. Would you ensure that there was to be a distribution, and that we would get perhaps even a greater impact?

Mr. YATES. Would the gentleman yield for a question?

Mr. REGULA. Of course.

Mr. YATES. In your proposed block grant, you also make a condition of that grant that the full amount shall go to the arts and not to the other recipients of that block grant?

Mr. REGULA. I am suggesting just as a hypothetical question here that——

Mr. YATES. Do you mean as a separate block grant for the arts?

Mr. REGULA. For the arts and the humanities. The administering would be done at the state and local level.

Mr. Abravanel is from Utah where they have had a successful program that would reach out to all the people of the Nation.

Mr. YATES. I had the impression that the block grants proposed by the Administration were cumulative and that the states themselves had to decide which of the activities received this.

Mr. REGULA. You will discover if you examine the block grant proposals that they are categorical in a broad sense, such as grants for the arts, without specificity as to whether it is a symphony or the opera or whatever it might be, depending on the community and the state.

Mr. YATES. I don't understand how you can have a block grant and a category grant too.

Mr. REGULA. You can have a block grant. We have block grants now that are categorized. They are categorized from the standpoint that they are for vocational education. It doesn't specify whether it is a machine shop or something else.

Mr. YATES. I had a different impression of what the Administration proposed.

Mr. REGULA. They haven't even proposed a block grant for the endowments. They have proposed a 50 percent cut with the maintenance of the present system.

I am exploring a new avenue entirely and asking the panel to react in an effort to ensure that the 225 million people have this enrichment.

Mr. SCHWARZ. May I address that question?

It seems to me that what the NEA has done so successfully is to bring together great experts in every field and in every area that they give money. As area orchestras, they have the finest managers and some of the best auditors to understand the situation and

fiscal people to examine the books to see how things were run. In the area of chamber music, it is the same.

They have established really first-class panels. It would be very, very difficult for any state to establish such panels. I can say that I have sat on two panels—one in New York State, which is a very fine panel, and one here with the NEA.

As fine as the New York State panel is, it still doesn't compare in quality to that of the National Endowments.

I think when one deals with giving money to the arts, one has to a certain extent look to quality, as well as to spreading the money throughout the population.

Mr. YATES. I understood your question to Mr. Abravanel to be predicated upon a government grant in which the government tells them what the policy is.

Mr. REGULA. I am suggesting that the block grant might be to the State of Utah to be used for the arts.

Mr. YATES. You gave them a choice between a private grant or a grant from a government where the government tells them what the policy should be. Have I misinterpreted?

Mr. REGULA. I am just exploring his reaction to the block grant. He has alluded to the success in the State of Utah and unquestionably this has happened. You mentioned that Mr. Bell became very supportive of the program because of the value to the educational system.

I would be curious as to how you would react to the concept of a block grant to the state for the arts, leaving the allocation or the decisions on the programs to the combination of the state and local communities so that we would reach a broader band of the people of this nation.

It seems to me that philosophically the objective of this is to enrich the lives of all of our people.

Mr. ABRAVANEL. The state arts councils do already receive block grants, which used to be about 20 percent. We have no community art councils to see to it. This is the beauty of the endowment. On the one hand are the great and beautiful institutions of which we all are proud. On the other hand are the grass roots.

The community arts councils are taking care of the grass roots. Little towns, whatever talent they have, can develop it and take a personal interest at close range. That is great.

In the state arts councils the range is still pretty close in a small state.

I am on the arts council. I accepted a position which makes it impossible for me to sit on music grants, because I know every musician personally. It is very difficult for me to say no to people I love, and who are my children. Many of them I started straight from their school.

But in Washington, it is much easier to have the right distance from those things.

There is also the point that Ani Kafavian made beautifully which is that it is more than the money.

In Utah, the Utah Symphony was regarded much more highly by many people the moment we got significant amounts from Washington. That would not be if you get it from the state arts councils of Idaho, Nevada, or even Texas.

Mr. REGULA. It is encouraging to note that there is this great respect for Washington and Utah.

Mr. YATES. If there are no further questions, thank you very much.

WITNESSES

SARA O'CONNOR, MANAGING DIRECTOR, MILWAUKEE REPERTORY THEATER, AND PRESIDENT, THEATER COMMUNICATIONS GROUP
JEAN STAPLETON
MICHAEL WELLER
MING CHO LEE
JAMES EARL JONES
GORDON DAVIDSON
PATTY LuPONE

Mr. YATES. Now we have the theater panel, which consists of Sara O'Connor who is the Managing Director of the Milwaukee Repertory Theater and President of the Theater Communications Group, Jean Stapleton, Michael Weller, Ming Cho Lee, James Earl Jones, Gordon Davidson, and Patty LuPone.

Your statements will be made a part of the record.

[The statements follow:]

STATEMENT OF THE THEATRE DELEGATION OF THE AMERICAN ARTS ALLIANCE BEFORE THE HOUSE INTERIOR APPROPRIATIONS SUBCOMMITTEE

MARCH 25, 1981

Prepared by Theatre Communications Group, Inc.

Mr. Chairman and members of the Committee:

Good morning, my name is Sara O'Connor, Managing Director of the Milwaukee Repertory Theater Company and President of Theatre Communications Group, the national service organization for the nonprofit professional theatre. In the latter capacity, I represent some 200 theatres, large and small, in 98 cities and 39 states from Florida to Alaska and Maine to Hawaii. I have here with me today some of my colleagues:

Gordon Davidson, Artistic Director, Mark Taper Forum, Los Angeles
James Earl Jones, Actor
Ming Cho Lee, Scenic Designer
Patti LuPone, Actor
Jean Stapleton, Actor
Michael Weller, Playwright

I would like to thank you for giving us this opportunity to appear before you on behalf of the National Endowment for the Arts.

Theatre is a primal art, ancient and for the most part honorable. Its artists serve the earliest impulses of man to reach out beyond the farthest horizons of imagination and dreams. Theatre is mankind's salesman, and, as Arthur Miller said in DEATH OF A SALESMAN, "...a salesman has got to dream." That dream has been to communicate a hope, to relay a memory from the past into the future, to stamp our image into the shifting sands of time.

The history of the nonprofit professional theatre in this country is a short one. Some 30 years ago a few pioneering artists sought alternatives to the commercial, the educational and the amateur theatre. They began to pitch their tents (sometimes literally) not on Broadway or (just) in New York, but all over the nation; they attempted quite different repertoires: the "classics," the "plays of the cutting edge," the "forgotten masterpieces." And before this first generation of theatres could be catalogued, another was squirming and moving into storefronts, abandoned churches and former movie houses. America had rediscovered theatre. What, at the turn of the century had been "the road" or a local repertory company, playing in stock with stock productions, had all but died away in the face of radio, of movies and, finally, of television. But quickly, American audiences sensed a loss of personal contact, of getting up and going out and making a ceremony, an occasion of theatre-going. They missed something, and, in the popular phrase, they were "alienated" in a world which made less sense than ever before.

The nonprofit professional theatre came along to help fulfill that need, to replenish that dream. In turn, theatre itself had changed and had become a truer mirror of our society. American nonprofit theatre is now the major source of new, serious theatrical work in this country; the world cultural community today acknowledges the leadership and vitality of the American theatre.

Before the establishment of the National Endowment for the Arts in

1965, there was a tiny handful of theatres scattered across the country. Today, there are hundreds.

It has recently been suggested that the federal government has become the "court of first resort" for funding for arts institutions. This is a grave misconception. Theatre Communications Group's recent publication THEATRE FACTS 80, the seventh annual financial and statistical survey of theatres in the United States, reveals that federal support represents less than five percent of theatre operating costs. Contrast that figure to the 67 percent earned at the box office and through ancillary programs, or to the 23 percent received in contributions from the private sector (individuals, foundations, corporations, etc.). Individuals are the largest single source of contributions; foundations are second. Between 1979 and 1980, corporate support to theatres grew by 34 percent and foundation grants went up 26 percent.

These figures do not minimize the importance of federal funding to theatres; on the contrary, they demonstrate the leverage provided by federal grants and the partnership of support that has existed among various sources of funding--both private and public, earned and contributed.

Other studies bear these figures out, not only for theatres, but for the arts in general: Corporate support for all the arts has increased 20-fold, from $22 million in 1966 to $436 million in 1979, according to the Business Committee for the Arts. Private sector support for the arts and culture has risen from $205

million to $2.7 billion in the past 15 years since the Endowment was created, according to the American Association of Fund-Raising Counsel. On the average, including all art forms, the National Endowment reports that for every dollar in federal funds granted by the National Endowment for the Arts, five private dollars have been raised.

National Endowment for the Arts funds help theatres in many ways. They provide employment opportunities and permit theatres to pay artists. Although salaries are still not commensurate with these artists' services and their deserved status in the community, federal funds have contributed to some progress toward this goal over the past few years. Since theatre is a communal art form, the NEA, along with private funding sources, has felt a responsibility to insure that healthy institutions exist where artists--actors, playwrights, directors and designers--can mold their talent, practice their craft, and share their work.

Federal grants also allow theatres the freedom to take the kinds of risks artistically which are imperative to the development of the art form, yet are all but impossible if the company must depend solely on the box office for survival. NEA funds facilitate ongoing fiscal stability and the solid financial footing on which theatres can be free to examine a variety of other means or tools for reaching wider audiences, including the uses of television. They also provide the wherewithal for theatres to tour extensively with productions that would not otherwise be accessible to audiences in remote parts of the country.

Federal grants permit theatres to plan and carry out long-term development projects. They provide opportunities to expand and extend the "popular" repertoire by exploring rarely performed American plays and plays from international literature, as well as encouraging the next generation of American playwrights, adapters and translators to create new works.

Theatres throughout the country fear that proposed cuts in federal programs other than the NEA will also hit our artists and theatre companies very hard. For example, the reduction of programs channeled through state and city governments; the decrease or elimination of postal subsidies for nonprofit third class mail upon which we rely for marketing and fund-raising; the proposed elimination of the Institute of Museum Services, which would result in an increasing drain on the Arts Endowment; cutbacks in funding to the Corporation for Public Broadcasting which has previously supported arts programming on public television; the recommended elimination of CETA jobs for artists; reductions in Revenue Sharing; and so on.

Should the National Endowment appropriations actually be cut in half, while all these cuts were simultaneously carried out, theatre companies would be unable to compensate for them and chaos over private philanthropic contributions in all social areas would be inevitable. The very survival of theatre institutions and the livelihood of thousands of theatre artists would be at stake.

The theatre event is now, and then it is gone forever...leaving a memory and sometimes a script. "The play's the thing," and it must have an audience or it cannot go on. But audiences per production are finite (400 to 1,500 is generally the size of our theatre auditoriums). While the effects of a theatre's production will echo through the world--in subsequent stage and film or video productions, literature and scholarship--the event itself cannot be "cost or labor efficient." Nor can it necessarily be measured by the box office intake or by mere popularity. Yet attendance at some 147 theatres last year was over 14 million committed theatre enthusiasts.

To some other Americans, theatre may seem to be a luxury. Moreover, there is little room (and perhaps all the greater need) for leisure in a world bent on pragmatic, instant solutions. The fine arts teeter constantly on the brink of oblivion because they seem frivolous, extraneous. Perhaps theatre does reach far fewer people than do such popular mass art forms as television and film, but theatre is nonetheless the conscience and the source from which the popular arts draw. We know full well that the arts, perhaps most immediately the art of the theatre, become the record of our existence--the image of our culture around the world and for generations to come. The arts are our heritage and our gift to those who come after.

Yet, although theatres are already earning more than two-thirds of their operating budgets--a very high proportion--necessary increases in ticket prices to compensate for the cutbacks in

federal programs could result in a negative effect on attendance. Some audience members would simply no longer be able to afford to attend their local theatres.

If the inflationary spiral could indeed be reversed, theatres would definitely be helped. But, turning around the economy will not happen overnight. In the meantime, a 50 percent cut in arts funding is asking the arts to shoulder an unfair and disproportionate burden which may produce devastating results. This enormous cutback would surely have a negative impact on the federal government as well, since eliminating the financial security of performing arts institutions will cause decreases in their performing seasons and reductions in artist employment, thereby forcing the government to give out of that "other pocket" (federal unemployment benefits) that saves no money and denies the artist the dignity of earning his or her own living.

In addition, local businesses would suffer if arts institutions closed down or audiences declined because of rising ticket prices. Cultural events and institutions in New York City alone are estimated to represent $3-5 billion annually in tourism, real estate values and taxes, and benefits to local business. The same pattern is repeated proportionately in towns and cities all over the country. We therefore ask the Committee's support in seeing that the proposed cuts be adjusted to reflect a true picture of the value of the arts to American society.

Yet it is not only a matter of survival (for, although some

theatres may close down, theatre will survive, as it has for well over two thousand years), but it is a question of the quality of the art, of the ability of the art to reflect its society, and of the dignity of the artists who work within the framework of that art. If theatre becomes endangered because its quality is compromised, our bequests to history will be compromised.

We believe that the American people recognize the role of the arts in their lives; we ask that the Committee lend its support to that same recognition.

ATTACHMENT: THEATRE FACTS 80, published by Theatre Communications Group, Inc., 355 Lexington Ave., New York, NY 10017.

TESTIMONY OF SARA O'CONNOR

Ms. O'CONNOR. I must first make my apologies to you for the rather large and corporeal nature of this group, since an editor of Harper's, I believe, recently said that the American drama is non-existent, with due respect for that gentleman.

My name is Sara O'Connor, and I am the managing director of the Milwaukee Repertory Theater. I am also the President of Theater Communications Group which is the national service organization for 200 non-profit professional theaters that exist in 98 cities and 29 states.

I have with me today Michael Weller, playwright. I have Gordon Davidson, artistic director of the Mark Tabor Forum in Los Angeles. I have James Earl Jones, actor; Jean Stapleton, actress; Ming Cho Lee, scenic designer; and Patty LuPone, actress.

I would like to share with you as briefly as I can my reactions to being here.

I grew up in a very small town in New York State. I had never seen professional theater until I went to college in Philadelphia in 1950. In 1952, a French theater company brought a production of Moliere to the United States, and I saw it. It changed my life. I laughed and cried. I suddenly understood that there was a different world view, and it had something to do with people and something to do with excellence. I wanted that for my country.

Looking around me I saw nothing like that, no on-going theatrical institutions.

1955 came and I was a graduate student, eagerly researching the great repertory companies of Europe, trying to find a model for what I believed could happen in this country. I didn't know that Arena Stage in Washington already existed.

In 1959 I was in Chicago. Again, I was responding to a kind of impulse that I still didn't know was being shared by other people. In Chicago, friends and I founded a small semi-professional theater company in that same church that spawned the Chicago Children's Choir.

We worked very hard, and we worked for nothing. Finally, after five years, we were proudly able to pay our actors.

1965 came, and I was now with the theater company of Boston—a fully professional, excellent and deeply struggling new theater company. By then we knew that there were other theater companies and that something was growing in the nation.

In that year, something remarkable happened. The National Endowment for the Arts was formed, and we were given the best tool we have ever had. Small matching grants gave us recognition and a lever to raise more money so we could grow.

It is now 1981, and to my surprise I find myself sitting here representing a great movement, 200 non-profit professional theaters. Things have changed a lot.

In 1952, a French theater company brought Moliere to me. In 1981, the Milwaukee Repertory Theater will take Tennessee Williams to Japan.

In 1955, I was studying Britain's Old Theater. In 1981, the British Council will send six members of a major British repertory theater to visit the Milwaukee Rep to study us.

In 1965, the Milwaukee Rep performed for 40,000 admissions. In the current year, we will perform for 185,000 admissions. In those days, we did not tour. Now we tour every year.

So when I arrive at this point, I am both very proud of what has happened, and I am very grateful for the tools and the assistance and the challenge that the NEA has meant for all of us.

I am baffled. There is no other word for it. The only way I can describe the bafflement is to tell you something that happened to me this summer when, very briefly, I was in India and was given a gift of a tiny plaster head. I was told it was the Elephant God. I said: What does the Elephant God do. My friend said: In India, we believe that if I perform for you a kind of juice flows from me to you. And if you receive it and you taste of it, you will know bliss, even if the story I am playing out for you is a story of great grief and great tragedy, the grief of a mother mourning the death of a child. If the juice flows and it reaches you, it will be transformed into understanding and bliss. The Elephant God removes the barriers to that flow.

All I can say to you is that I am on the side of the Elephant God. It baffles me that possibly the government of a great and free society like ours may not be.

Thank you.

Mr. YATES. Who will be your next witness?

TESTIMONY OF MICHAEL WELLER

Mr. WELLER. Thank you, Mr. Yates, for inviting us here. This is a courageous stand you are taking, and we appreciate it.

I would like to address myself to two assumptions that seem to underlie the cuts that are being made in the NEA. One is a kind of assumption that arts are for the fancy folk alone and, therefore, they should pay their own way. The other is that if you do make these cuts, the vacuum will be filled by moneys from corporations and private individuals.

I will address the second point first.

I have been associated with a small theater that has been struggling along for two years in New York in anticipation of the day that they will be ineligible for an NEA grant. They have already received promises from a number of corporations that if the NEA does approve of that theater, they will match the grants by three to one, two to one, and in one case five to one. If the NEA does not approve them, this theater has no money.

Now why should the corporations have to wait on the NEA? I think we have had evidence of this a little bit from some of the testimony, which is that a corporation can at least specify in part the areas to which they will aim money. But beyond that, their expertise does not enable them to distinguish between theaters that are of merit to receive money and theaters that are not. This is something that has to be done by people who are competent to judge and who are honorable and well-intentioned and enthusiastic about their art.

It would be a tragedy if this kind of guiding body of the NEA had to cut down its activities. It also would be, I feel, a direct assault on the least privileged part of the theater.

If these cuts are made, it is not the middle class or well-off people who are going to suffer; it is the poor people. Prices of tickets will go up.

The fare given by regional theaters and experimental theaters will be pale copies of Broadway hits. No new work will be seen. All of those tenuous foot bridges which are being forged for minority people and underprivileged people to the right to come of age in this country and to hear their voices in the theater and to authenticate themselves to their own people will be taken away. It will be the first to be taken away. These theaters will have to do something to survive, and that is where the cuts will have to be made. It is a direct assault on the poor and underprivileged voices in this country. That is what alarms me in particular.

Just in terms of economics, I have done all of my growing up as a grant baby. I grew up in the subsidized theater, and that was my training ground. As a little exercise when I came down here, I added up that percentage of the budget that the NEA donated to the productions I did.

For every dollar they have spent training me to be a playwright, I have by now returned $35 in tax money. It seems a fairly good investment.

Thank you.

Mr. YATES. Who is your next witness?

TESTIMONY OF GORDON DAVIDSON

Mr. DAVIDSON. I would like to share a few moments of reflections on the use of funds and the good that has flowed from the endowment, specifically to my theater, and some reflections on the role of the NEA as our obligation to see that it flourishes.

The history of the Mark Tabor Forum in Los Angeles is really a living grasp of the effects of the creative partnership you have heard so much about between government, the private sector, and the audience.

It has helped us become an innovative theater, trying the new and the untried. It has led, in fact, to the creation of a number of plays which have gone on to national and world recognition, including one Pulitzer Prize by the distinguished author, Michael Christopher, called the Shadow Box, and two Tony awards, both for Shadow Box and for a new play—and this is not a commercial—which is opening next week here at the National Theater, Children of a Lesser God. It is a play which deals about the relationship between a deaf woman and a hearing man but which is a larger metaphor for communication and which, I assure you, will alter your perception of the notion of what is handicapped in this world permanently if you should be able to share in that evening in the theater.

Those two plays I mention not just because they won awards, but because they dealt with serious themes and subject matter and content which is not usually considered the purview of the marketplace. Yet somehow, because of the kind of theater we represent of the many that Sara was talking about, we are committed to that nurturing and development so that writers and other artists can take a chance. That, in fact, does become a part of the larger fabric of this society.

We have also made a contribution to the training and experience and early visibility of unknown performers who have become leading stellar performers in all medium over the years—the unknown and thinner Carroll O'Connor; Richard Dreyfuss; Peter Strauss;

and Valerie Harper, who went from playing a chicken on our stage to Mary Tyler Moore's sidekick on that program.

But, more important, I think is a commitment to my city and my community, as well as the national scene, to understand our society better and to give voice to the wider constituency—blacks, Chicanos, Asian Americans—to pay particular attention to the disadvantaged with low-priced tickets—the young and the old—to tour the schools and to deal with the ever-growing question of what is a special constituency, as I mentioned earlier—the so-called handicapped.

None of this would have been possible without the encouragement, inspiration, and the stimulus that has been made possible through the National Endowment for the Arts.

My own history of running a non-profit theater institution started with the example of a New Yorker who discovered the rest of America. I am committed to permanently altering that Steinberg cartoon which has New York in the foreground and nothing of any significance until you get to the Pacific Ocean.

I once gave a speech in college to that effect, and it is emblazoned in my memory.

I am challenged and exhilarated by the notion that the arts in America, and more specifically the theater, are striving for parity. I want to help redefine the notion of regionalism, so that it is not synonymous with less than the highest quality, any more than a baseball, basketball, or football team is considered regional by virtue of the name of the city in which it resides.

I have served as an advisor to the NEA and a member of various panels dealing with large and small theaters, emerging theaters, and policy considerations. I take that responsibility seriously as a matter of public service and not self-interest.

I reject the notion of boondoggling as a truly major characteristic of art spending. I accept the challenge of scrutiny of spending and belt tightening, though I would suggest that a flourishing cultural life is a significant form of national defense spending too—a defense of our spirit and soul.

I accept any challenge to look at the streamlining of bureaucracy and self-policing of guidelines and policies to ensure the highest quality and to ever maximize the challenge to local and national support of the arts in the private sector.

I would like to reiterate something that I believe you suggested, Mr. Yates, with maybe a contrary set of expectations and beliefs.

The arts are often potentially more vulnerable to censorship of private and corporate donors because of whim, political affiliation, concepts of morality, status of profit and loss statements, and sheer vanity than the rather sophisticated and responsible and generally informated manner in which the Federal Government, the Congress, the responsible agencies, and the system of private citizens serving the public interest as panelists have succeeded in buffering each other from wrong and defeating pressures and have produced the rather remarkable record of artistic achievement and financial responsibility in both expenditures, fund raising, and maybe most important of all consciousness raising.

I leave you with two examples. Yesterday I went to check the Children of a Lesser God production in New York. I met with some

76-703 0 - 81 - 6 (6b)

distinguished visitors from Yugoslavia, Bulgaria, Romania, and Poland and directors of major theaters in those countries. They saw the show and met me afterward and were very excited. They immediately asked for a script. I had just discovered that day that, in fact, the script had been published and was available at a store in New York. I had a copy with me.

As I was coming down on the plane, I realized that this is a script, but it is not a play. It is not a production of a play. It has no meaning, no life, and can't communicate anything to you until it is seen in front of an audience performed, as I said you will see if you come to Washington to the National Theater.

This could have never come into being had it not been for a playwright who had been supported by a literary grant from the NEA in a very crucial stage of his life and if it had not come to our theater and been developed in our new playwrights program and if it had not played before an audience which had been trained to take on the new and something different and if it had not been supported by a theater which exists, in part, from the endowment and the challenges that the endowment makes.

I leave you with one last example. There are some dear friends of mine with whom I have been intimately associated over the past few years in the creation of a play called Zuit Suit, the first major Chicano play to come forward. It was the product of Louis Valdez and the Theatro Compasino.

Theatro Compasino is a group that started as a political action group in the fields. It brought information and some laughter to the workers in the fields who were picking grapes and lettuce. It was not interested in funding in foundations; it was interested in political activity to communicate and bring some spirit to the brothers who were in trouble.

But these people are also artists, and they have grown as artists. Although I think they will never totally divorce themselves from life as a political force, nor maybe should any of us, their realization as artists has magnified over the last few years to such an extent that they have indeed become a theater which tours the country and the world which helped to produce Zuit Suit by virtue of the training of its artists. We shared some space on our stage and gave first public display in Los Angeles to them. Just recently, in its maturing process, it received the challenge grant, which I would have said five years ago they would never have been able to match. They are in a small community in California—San Juan Batista—and one would think there would be no support system from the community around them.

At last report they have more than matched the challenge. It is because of that impetus that came from the NEA that I think Theatro Compasino will continue to grow into a major force in American theater.

I thank you for the time.

Mr. YATES. Thank you very much.

Your example of the script, Children of a Lesser God, reminds me of my own experience. I remember reading many years ago when I was in college Cyrano de Bergerac as part of a literature class and enjoying it very much, but not nearly experiencing the joy and thrill and impact of the play as when I saw it on the stage

performed by Walter Hampton so many years ago. I am sure none of you remember Walter Hampton it was so many years ago, but he was marvelous.

Who is your next witness?

TESTIMONY OF JAMES EARL JONES

Mr. JONES. Thank you, Mr. Chairman.

Mr. YATES. It isn't very often, Mr. Jones, that we have a witness of your quality before us. We are delighted to have you.

Mr. JONES. I sat and thrilled at your probing of the corporate mind in the last days of the hearing. I kept thinking: They don't really have to do what they are doing. Their motives, as you were exploring them, are varied.

I want to point out another group that does some supporting of the theater and takes the responsibility to make sure that certain kinds of theater happen and that is the professional actor.

I just came from the Yale Repertory Theater where I spent a month of rehearsal and a month of performing a great classic by Ibsen called Hedda Gabbler.

I would have lost, and most of the professional actors with me could have lost, anywhere from $50,000 to $500,000 in terms of the work that they sacrifice in movies and television.

It has always been that way in my 25 years of being an actor. Up until the time that I could earn money, it was not a problem. I worked where I could work, and I earned what I could earn, and I lived off what I could earn. I adjusted my standard of living to the salaries I could get. That was the time when the Arena Stage, because of the endowment supporting such a non-profit theater, allowed me to play in a play called the Great White Hope. That made me suddenly able to earn a living—just a living—in the theater.

Until that time and since that time in different ways I have been supporting, as all professional actors do, the theater. We don't want to be sung about for that but we do it for very particular reasons which I will get to in a moment.

I am impressed, as Mr. Williams said, about the comparison between the instruments of cold and hot war and the instruments of cultural wars. They are two ends of a spectrum.

Nobody will argue the non-frivolity or the high priority of a bullet, but we have a hard time pinning down the priority of arts endeavors. The idea that it is frivolous is a serious problem that I hope to correct because we can't get much resolved until that is corrected.

I have always felt that if man is different from beasts, it is because he is able to reflect upon himself. Shakespeare put it so much simpler: to hold the mirror up to nature.

I know of no other social or human endeavor except the arts which truly reflects upon our state. That is not as profound as it sounds, and I want to tell you why.

Television is a highly profitable and highly commercial field of the arts. It presented in the past two pieces. One was called Holocaust; the other was called Roots 1 and 2. I happened to have the good fortune of performing as an actor in Roots 2, its final segment.

I don't know of any other thing that has happened where so many people got involved to the point that they gave up their

dinners and dates and changed their schedules to watch those shows, much as they did with Shogun, for different reasons.

Roots and Holocaust had such meaning to me and everybody I knew that I had to use that as an example of that mirror up to nature and man attempting to reflect upon himself. You can change anybody with a bullet. You can alter societies with bullets. You can also alter the way people think toward a change or at least you can inspire them to be and remain as good as they are through the results of arch endeavors.

With that kind of pride in what I do, I would like to say that having spent two years in the U. S. Army as a lieutenant in the Infantry, it was very important to me that I was well-trained and well-armed if I was asked to commit my life to the salvation of my country.

I feel just as in need as an actor. I know that young actors coming up are more in need of being well-trained and well-armed for the soldiers of the theater for that other end of the spectrum which nobody seems to appreciate, except William Shakespeare.

There is no way that I could have been hired in the role of Alex Haley in Roots if I had not, 12 or 15 years back, been given the shot of doing Great White Hope at the non-profit endowed theater called the Arena Stage in Washington, D.C.

The reason I go back to these non-profit theaters now that I can make a living in the media is because there is no way to develop in the media. It is not just a problem of young people. Grown-up actors and well-established actors, if they will admit to you that it is more than just fear of the state's critics or the New York critics, will say they wish they could go back to the stage because that is the only place to develop.

A television or film director or producer will hire you because of what you are. They don't want you to change. So the only place you can develop for a beginning actor or for an old, established actor, a veteran like myself, is to go to those theaters which are for the most part non-profit theaters.

One is on the East Coast with which I am currently involved. There is the old Neal Theater in Connecticut; the Stratford Theater in Connecticut; the Hartford Theater in Stamford; the Yale Repertory Theater; Joe Patts Theater in New York; and the Arena Stage here in Washington. In California, there is the Music Center.

I will keep returning to those places to work with young actors who are just beginning. I will go to them for the same reason they are there. There is no other place to get the training and development that is needed to participate in the larger media where you can hold the mirror up to nature.

Thank you very much.

Mr. YATES. I hope those young people develop your voice, Mr. Jones. It is one of the most moving voices I have ever heard.

Thank you very much for your testimony. I understand you have a 12:30 commitment. If you want to be excused, you may.

Mr. JONES. Thank you, sir.

Mr. YATES. Who is your next witness?

TESTIMONY OF JEAN STAPLETON

Ms. STAPLETON. Thank you, Mr. Chairman.

Mr. YATES. Ms. Stapleton, I think you have been discriminated against. The Smithsonian Institution has taken Archie Bunker's chair without taking something comparable from you.

Ms. STAPLETON. Let me correct you.

Mr. YATES. I am glad to be corrected.

Ms. STAPLETON. Aside from the list of credits which I am going to regale you with which have nothing to do with the activities you may know me for, I was going to say that I have the distinction of having a chair installed in the Smithsonian which I sat on for eight and one-half years in my work. It is right next to Archie's.

Before I start, I would like to echo Mr. Abravanel's gratitude for your time and patience and endless hours to hear all of this. I consider it an honor and a privilege to be able to address you as well.

I am a member of the Advisory Board of the Women's Research and Education Institute of the Congresswomen's Caucus. I am also on the Advisory Board of the American Theater Arts, a non-profit theater in Los Angeles. I am actively working with the California Confederation of the Arts in California, which is a service organization.

As a struggling actor in New York City, the dream that I shared with my peers some 100 years ago was decentralized theater. That meant to take it out of New York City and get away from Broadway and allow us to spread out into other communities and be part of a living, professional theater where we could be employed and develop our craft.

That was the ideal goal. Because, dear friends, the goal of any serious actor is to act—to work. Stardom is not a goal of any serious actor, and anyone who makes it such is misguided.

I like the way Thomas Carlyle talked about fame. He called it an accident. Fame is no sure test of merit but only a probability of such. It is an accident and not a property of man. The dream came true when the National Endowment for the Arts was formed and decentralization began. Regional theaters now employ our talented young artists. There is no place else for them to go, nor is there any other place for theater audiences to go on a regular basis.

I got experience in summer theater, but that is diminished at a rapid rate due to high costs. It was never more than three months out of the year.

Regional theater, as the statistics show, has not only enriched the communities it serves artistically and educationally but economically year-round, as we have heard today.

Since my accident, called fame, my mail has been filled with requests for money. I can tell you that when an artistic entity says that any dollar I contribute will be matched by a grant, I give with a great deal more generosity than if that grant was not forthcoming. As Mr. Block brought out, this is the case in the corporate world also.

The subsidy is the seed, not the first resort. It is the goal of this Administration to stimulate economic growth through exploration and development of our natural resources.

Think of the arts as a spiritual industry which must continue to be explored, mined, and developed. I am aware, as we all are, of the scores of citizens who have been pouring into these halls,

crying out against cuts and speaking for the poor, the hungry, the disabled, and unemployed. Of course that made me examine the importance of our mission here today.

Are the arts important in the face of all these basic human needs? Yes, I believe; unquestionably, yes.

What is man? I speak generically of course. Is he just a material form with only material needs? No. He is also a spiritual being, and his spiritual needs are just as basic.

I join you in fighting inflation, but I beg you to look at the figures as these gentlemen have obviously done and let down a safety net for our spiritual, creative resources.

Our theater, film, music, art, dance, and literature are the very identity of a creative society—the sole of our nation—and they should be encouraged and not diminished.

I thank you very much for listening.

Mr. YATES. Thank you.

TESTIMONY OF MING CHO LEE

Mr. LEE. I want to say that I really feel very privileged to be here. I think it is a very courageous act on your part.

There is so much for me to say it is almost impossible to say it. I think I am absolutely devastated by this supposed cut—not only because personally I feel hurt, which may not be so important—but because I felt that what is an area that is truly the substance that feeds the spirit as well as the very nature of this country is really insulted and not recognized.

I think all kinds of contributions are important, but I think the arts must be the concern of us all, too. That recognition must be made.

If I start thinking back about my very short 27 years of career designing some 200 art shows, I don't think I could have been what I am—good or bad—and learning the craft and growing. I don't think as an artist, or any individual in this country, I can stop growing spiritually or mentally or emotionally. I felt that without those non-profit theaters if I did not work at the New York Shakespeare Festival, I would not have designed almost all the Shakespeare plays which I think is probably the best education one can have.

I had the best experience at Arena Stage, Mark Tabor, City Opera, and you name it. I am now teaching—this is my twelfth year of teaching at Yale Drama School—simply because even after 200 shows I cannot earn a living in the profession.

I would never suggest any student entering immediately into the commercial sector and the marketplace. Indeed, most of my students, I think, are much more exciting designers than I am; because there is an opportunity for them to work in the Arena and the theaters and the opera companies where their purpose is to do theaters and opera and dance.

That kind of growth is not possible where the primary aim, as in the commercial theater, is to make a killing. It does not work.

As I have been working for awhile, I realize that what is truly important for me in terms of my experience working in the theater is the totality of the experience. We have very few fields where the people not only allow but demand you start from the beginning, go through the process, and then also be involved in the end product.

There is a totality. It is not an alienation. It is only that kind of work that can become one's life work that the work and the process of the work enriches my life and by that enrichment it informs my work.

I also realize that the theater and opera and performing arts are a custom-made industry. Everything is made to order. Packaging is not possible. There is something very important about that.

I would like to tell you about one experience that has always stayed with me which seems to be a little sentimental—but why not.

I was designing 19th century opera at Juilliard. It was an opera that I guess not very many people have heard of called Illturamento by Mericadante around 1971.

As you remember, during that time there was great upheaval because of the whole Cambodian affair and so forth.

The Juilliard Student Orchestra was very upset because they were sitting in the pit playing a piece of music that they felt had no connection. The conductor happened to be the late Italian avant-garde composer, Bruno Maderna. He was a kind of roly-poly man one would not associate with such avant-garde music. There was great upheaval in the pit as to whether they were going to play the performance or not. Then he finally came and addressed the students.

He said: I am Italian. Your affairs are not truly mine. But I would love to say one thing to all of you. When all of you decide to try out being a musician, there must be some purpose. The purpose is not to make a killing.

My perception of it, or his perception of it, was that when you are making music it is not possible to make war.

In closing, I would like to say that for me it is so important to balance the importance of elements, whether it is hardware versus the arts, which I think is the substance that feeds the spirit and the idealism of this country.

If we are truly not careful and become too much hardware advocates, we will walk right into 1984 without realizing it.

Thank you very much.

Mr. YATES. Thank you.

Ms. LUPONE. I, too, would like to thank you. I feel privileged being able to address you.

I would like to ask a question first before I address my points. Does anybody remember how much President Reagan spent on the inaugural parties? I am curious because I was asked to perform for nothing, and I am embarrassed to say that I did. I am not surprised that I am considered low priority.

Mr. MCDADE. If you would permit me to respond, I would be grateful.

I don't know what was spent on the inaugural. I participated as a payer as you did. The funds were publicly given. They were all contributed; they were not public funds.

I really don't think it helps us to reach conclusions and talk that way. We are here to discuss what is a very important question.

I would like you to know that I was one of the original cosponsors of the initial legislation that set up the National Foundation

for the Arts and Humanities. I was one of the first people to take the floor of the House and argue for money for it.

We ought to lower the temperature a bit and discuss where we are trying to go in a rational way so that we can get there.

Ms. LUPONE. What I meant was that most actors are asked to perform for nothing, and generally they do because of love of their art. It is not my temperature. I am just surprised I am considered low priority, that's all.

Mr. MCDADE. I don't think you are considered low priority.

Ms. LUPONE. Thank you.

Mr. MCDADE. I don't think you should feel that way at all.

Mr. YATES. There has been a failure of communication in this. I can understand your reaction. I don't think she intended it in the way you, and perhaps I, accepted it. I believe she intended just to say that actors do a lot of benefits. She was called upon to do a benefit in connection with the inauguration of a President, and she was glad to do it. As I understand, that was your point.

Ms. LUPONE. Yes.

As the violinist said, here I am two months later, trying to bring the money back to the arts.

It is a confusing situation.

Mr. MCDADE. We need to recognize that the cut suggested is, of course, a very contentious one. It ought to be contentious. It isn't a zero figure; it is a 50 percent cut.

The question we are trying to arrive at is where should we all be as a nation at a time when we are belt-tightening? That is really the issue.

I get tired of hearing comments that we are a nation of Philistines. We are not. I don't think any of us even want to imply that. There is more support and love of the arts and people who perform in the arts in this nation than I think in any nation of the world.

It is fine for us to discuss priorities about what we should do with a defense budget and all the rest of it, and that is indeed an item that is under discussion in other committees in the capitol just as is with the television cameras cranking, and they should be.

But we have to recognize that there are very difficult decisions, all across the spectrum, that have to be made this year. I hope you won't feel that you are in any way, or the arts community is in any way, a lesser group.

We and the American public esteem you perhaps as nobody else in this country. We flock to your performances; we love your craft. We are elevated by it; we are relieved by it; we are enriched by it.

I happen to believe that when you were struggling as an actress and there was no endowment, you pushed down with your craft and have enriched all of our lives.

We are trying to set a level of priority. That is our issue.

When I hear Mr. Jones—and God bless him, he is incredible—talk about a bullet, we have to be concerned about that. The Russians have taken a country called Afghanistan.

I was in Russia some years ago. The only place where I found any relief from what was a Russian tactic at that time—called harassment, where KGB agents came right up next to you in an attempt to smash your car—was in the Bolshoi Ballet. That was one of the few places the KGB did not go.

I was privileged to see a prima ballerina.

You can read in Krushchev's Memoirs about the meeting of the Politburo to decide whether or not they would ever let her travel abroad to perform because they feared she, as so many others, would defect.

What we are talking about is an extremely serious issue—one that concerns all of us—in connection with other issues that concern all of us as a nation and as a people.

I am grateful to all of you for taking the time to come down and be here today to express your views, but I do want to urge you that we try to keep it in some kind of perspective and understand that we are not saying that you are not——

Ms. LuPone. It was a joke. I'm sorry I made it. I really am.

Mr. Dicks. It is important to put this in perspective. I agree exactly with what my colleague has said. These are very difficult priority decisions.

I am not defending the Administration on this particular cut, but it isn't easy to make these kinds of decisions.

Ms. Stapleton mentioned there are a lot of other people, the poor people, who are going to lose their CETA jobs in a few weeks, whom we should also be concerned about as well.

Ms. LuPone. May I address my two points?

Mr. Yates. You may testify, Ms. LuPone.

Ms. LuPone. Thank you.

The points are the importance of non-profit theaters to young actors and how important they are as a source of employment and my experience touring America with the acting company and how non-profit theaters have developed a vital, younger audience.

I have been a professional for nine years. My most recent job was the title role in the Broadway musical Evita, but today I want you to know about the beginning of my professional career when I learned from necessity that the actor must go where the work is.

For me the better part—over half of my professional career—has been work in non-profit theater. I spent four years touring with the acting company, an American non-profit touring repertory company. We played universities, community theaters, and occasionally we would play a city theater.

I know from my experience playing 34 states and 113 cities and towns that not only is there an audience for theater but it is an extremely supportive and grateful audience and an audience anxious for the experience of live theater.

In almost all of the towns that we played, gymnasiums, auditoriums, churches, and theaters were filled to capacity. Every campus and community gathering was a full house with an audience ready and eager—especially ready for theater.

It is this audience that I am speaking of across America in the small towns that don't even appear on county maps that will be affected by the cut-back. This is where the non-profit theater goes; this is where the non-profit theater is.

I had an experience in the University of Arkansas in Conway. You pass through Toadsuck Ferry to get there. The audience was ahead of the actors performing in Anton Chekhov's The Three Sisters.

I got off the bus, looked at the town, looked at the motel, and very snottily turned to Marsha and said: Why do we always have to play the classics in the boondocks. And was I rudely awakened.

They knew more than I did. They were anxious for this experience—either to see what they had read, to imagine, or just to the experience of live theater. They anticipated the actors' dialogue. They were ahead of us. We realized ten minutes into the show that we, the performers, were too slow for the audience. We had to quicken the tempo.

It was a thrilling moment for all of us, because it was what we had been working for all of our lives.

The play played itself, and everyone went home rewarded.

I am not sure that the Government knows exactly what it has created out there. The Government through the NEA has created a national audience. Some will say the theater is an elitist sport but no art form today is elite.

Through the NEA the Government succeeded in nationalizing theater, music, and dance. I wonder if anyone truly realizes the full extent of it.

It has been said here by the other panelists that people are so anxious for the theater. They are hungry for it. They are quite hungry for it.

My last two years have been spent in commercial theater. I realize that many of my peers there came from the same background I did, which was non-profit theater.

If there are cutbacks in non-profit theater, it will deal not only a severe blow to theaters and its audiences in the towns and universities across America and eliminate significant employment for young actors but equally important tomorrow and five years from now the commercial theater will feel the weight of this blow because there will be no new young actors rising through the ranks.

Work for actors is already scarce, and the commercial theater makes up a very small part of what is theater in America today. It is very difficult for the actor upon graduation or upon getting his equity card to go from schooling into a commercial vehicle. The actor needs the training; the actor needs the small environment where he can experiment and grow.

It took me nine years of my professional life before I could be Evita on Broadway, and even then it was a struggle. But thank God I had the training I did to be able to do it. This was a commercial piece of theater.

Through the Government, the NEA created more work for the actor while it developed the audience that might not have had the opportunity to experience live theater.

I want to know, and I am sure we all want to know, how the Government can take the jobs away and how it will explain the empty theaters to the audience.

It is not elite, as Ms. Stapleton said. It is not an elite art form.

Centuries before this day, people were writing on the walls and dancing and creating music and creating their own theater. It is basic fiber in our soul, and it is a natural right to release and enlighten ourselves and divert ourselves through literature and the arts.

Thank you.

Mr. YATES. As they say on television, thank you panel.

I have some announcements to make.

Mr. YATES. Second, I have been told the government arts panel is worred that it will not be heard. Let me say that the government panel will be heard. It is just a question of fitting everybody into the space.

Third, we lose this marvelous auditorium at two o'clock, because there is another production coming in, headed by Congressman Brooks to whom this room belongs.

We have our own little theater in Room B-308 which is on the basement level.

We have been going for a little more than three hours. May I suggest a five or ten minute break, and then we will come back with the opera panel, if that is satisfactory.

[Recess taken.]

WITNESSES

DAVID DiCHIERA, PRESIDENT, OPERA AMERICA, AND DIRECTOR, MICHIGAN OPERA THEATER
GEORGE SHIRLEY
BENITA VALENTE
ARDIS KRAINIK

Mr. YATES. I would like to make another announcement.

We have the opera panel at this time to be followed by dance. That will complete the performing arts. We will then return to government and then to art museums and then to the individual artists, unless the individual artists have commitments which would compel them to catch planes.

We are running over the alloted time we had. We thought we would be through by two o'clock, but I think it is going to be impossible now.

The opera panel is headed by Mr. DiChiera, President. You may proceed.

TESTIMONY OF DAVID D. DICHIERA

Mr. DICHIERA. Thank you, Mr. Chairman.

I have the privilege of having a number of colleagues here with me who are joining in our testimony. To my right is Ardis Krainik, who is the general manager of the Chicago Lyric, one of the great opera companies, not only in the United States but in the world.

Also to my right are two American artists who have made impressive careers in the field of opera and music and have done it in this country within the last two decades, the time in which we are testifying about the importance of the endowments to the development of opera. They are Benita Valente and George Shirley.

I would like to begin, if I may. Our testimony is on record, and I would like to submit that.

Mr. YATES. That may be placed in the record.

[The statement follows:]

TESTIMONY BEFORE THE HOUSE
SUBCOMMITTEE ON INTERIOR APPROPRIATIONS
ON BEHALF OF
THE MEMBERS OF
OPERA AMERICA

Opera is a unique art form. It mixes the elements of voice, music, theatre, dance and the visual arts in one production. The combination provides for a spectacular visual and aural experience. The audience for this experience has increased dramatically over the past twenty years and with it a growth of many new and exciting professional companies. The catalyst that has contributed most to this growth is the moral and financial support received from the National Endowment for the Arts.

The NEA's support to the opera community has risen from $115,000 and five grantees in 1966 to $1.6 million and thirty grantees in 1971 to $5.6 million in 1980 and one hundred and one grantees. In this period we have also experienced an increase from twenty-seven professional companies in 1965 to one hundred and nine in 1980.

The impetus for this growth has come from the people in their individual communities. They have recognized the value of opera to their community and to themselves. Their support and energies have resulted in the blossoming of opera across the country.

The interest in and growth of live performances (over 3,000 professional performances in 1980 compared to under 500 in 1965) in addition to the increased radio and television performances have proved that opera is not just for the elite but can be enjoyed and appreciated by the full spectrum of our nation's citizens.

Only after a company has proven itself with community support and artistic integity is it eligible for the financial support of the National Endowment for the Arts. The catalytic grants that it does receive from the NEA go a long way in promoting and increasing private support from the community. For the four years, from 1976 to 1979, the average percentage of NEA funds to the opera companies total budget has dropped from 4.1% to 3.9% while private support has risen from 32.8% to 35.3%. In essence, every dollar of NEA support stimulates

nine dollars of private giving. This is very impressive.

In addition, the NEA has stimulated the opera community to be more creative by encouraging commissioning of new works, performances of American opera, performances of opera in English, professional training of young artists and expansion into their region by touring.

The most important result of the NEA's catalytic support to the growth of opera has been the opportunity now available to a young artist to develop and have a successful career in this country. Fifteen years ago, an American artist who wished to pursue a career as a serious opera singer needed to go to Europe to find continuous and satisfying work. This was true because of the minimal number of companies in this country offering the potential of employment and the dearth of professional training programs.

With the plethora of professional companies across the country now producing full seasons of opera and their concern for the development of American talent through their training programs, an artist can build a career by participating in the training programs during their sensitive growth years on their way to becoming a recognized artist. These training programs provide coaching, instruction in acting, movement, languages, professional ethics and, most important, stage experience while allowing them to earn a bare living.

There are professional opera companies in forty-four states from Alaska, to North Dakota, to Mississippi, that are producing over three thousand performances per year. Although the life of an artist is not easy, requiring constant travel, at least there is work, the opportunity to support themselves and their families and the recognition of their talent by their own countrymen.

A cut in the National Endowment for the Arts budget will have serious consequences for our artists and our companies.

The Administration's viewpoint that private support will automatically increase to cover the Endowment's cut-back is false. Opera and all the arts will

be competing for increased private support with the other social service areas and if history is any indicator, will suffer the most. The erosion of government's leadership and its placement of the arts as a low priority will certainly effect the philosophy of the private sector.

The effect on the growth of opera will be substantial. There will not only be a curtailment of growth but also a recession of present programming. In essence what we will see is a cut-back in the number of productions and performances given by individual opera companies and a cut-back in the other very valuable activities of the opera companies such as education, professional training, commissioning of new works and touring. The end result will be a stifling of the career opportunities for our young American talent and a return to the dark ages of the past.

America has always prided itself on our accomplishments, our freedoms, our support of the quality of life and culture, and our artists. We have always taken great pride in our successes and our successful individuals. Our performing artists and their creations have become our foremost ambassadors throughout the world, and a reflection of the vitality and creative freedom of our great nation. Why must we stifle what we value most?

Mr. DiCHIERA. Thank you.

I would like to give some overview of what the development of opera has been within the last 15 years. In terms of the growth of opera within this country, because probably of all of the art forms the conception of opera has often been that of the most elite of art forms. With the help of the endowment, and, as we talked earlier, of the philosophy of availability, we have found that opera and music theater is a cultural resource which all people have been very excited and very willing to grasp.

The growth of opera has been very dramatic, from 27 professional opera companies to 109 opera companies between 1965 and 1980. From 500 performances within a year in 1965 to 3000 annual performances in 1980 and a growth of audience from 2 million in the middle 1960s to well over 10 million by 1980. This does not include the hundreds and thousands of performances that opera companies take into the schools and into the communities and the availability of many opera companies over television and on radio, reaching a far greater audience than even those members who come into the formal auditoriums to see opera.

The availability of opera has been a very important accessibility factor and has shown there is nothing elitist about it. It has been the seed money and the vision of the endowment tied to the vision of leaders in the world of opera that has helped to make that available.

On a personal level, I would like to speak a little bit to my company, of which I am general director. That is the Michigan Opera Theater in Detroit. This company was founded in 1971 in the center of the city of Detroit at a time when both the spirit and the economy of the inner city was at its lowest ebb, three years after very devastating riots.

We found that it was the people of that city who wanted very much to have the cultural resources of something such as opera. It was not the very wealthy who told me very clearly that if they wanted to see opera they could fly to New York to see it.

It was building a company within our state and our city to make it available to the rank and file, to the blue collar workers, to those who were not part of the jet set who could go to any capital of the world to see what they wanted.

These people responded to the support of the endowment and to their own corporate and private support. Now that company within ten short years is one of the 12 major opera companies in the United States, having a season of over 12 weeks within the Music Hall center and performing numerous performances in factories, in shopping malls, and in schools. It has then also risen to do two full productions on television of American opera, the Tenderland of Copeland, and Frank Loesser's Most Happy Fella.

One of the members of this committee asked one of the corporate leaders: Would you be able to take up and fill the gap if the endowment had to be cut appreciably.

I think all of you know the situation in a State like Michigan. Not only is the State in terrible trouble because of the unemployment, but the city is facing a $150 million deficit. The corporations themselves are not only looking to Federal assistance but are probably on their knees at this point.

76-703 0 - 81 - 7 (6b)

So the opportunity for the citizens of Michigan and of Detroit to continue to have their valued cultural assets, to which they continue to come to the city and to provide the economic revitalization which has been an on-going part of that city, I think, will be very dramatically curtailed.

At the same time, this growth of opera throughout the United States has provided an unparalleled opportunity for young artists to develop their careers in this country. I would like on this note to turn to Mr. George Shirley, also from Detroit, who developed a very important international career with the opportunities that he had also in this country.

TESTIMONY OF GEORGE SHIRLEY

Mr. SHIRLEY. Let me echo, again, as has been done a number of times today, my thanks personally to you and the members of this committee for your concern and for your interest in the health of the arts in the United States.

I come to you to speak forthrightly and honestly from my guts. I hope you will understand that my comments are made with love, not only for my art form but also for this country.

It is with a degree of sadness and a bit of hope that I find myself here. I was one of the artists privileged to address the congressional committee in 1961 that was charged with taking testimony on the possibility of founding a National Endowment for the Arts and Humanities. Now 20 years later I find myself here again pleading with you for the continued health of that endowment.

I come to you wearing two hats, as it were, both of which are in danger of being blown off by the prevailing winds. One is as an active performer in the field of opera and concert and the other is as an educator.

I would like to spend just a couple of moments speaking in regard to these two areas.

As a performer, I have seen operatic activity and concert activity grow over the past 20 years, certainly as a result of the interests of the Federal Government, its financial aid in terms of seed money and the very fact that it has shown in the past that the arts are a priority item. Washington is a leader. People do march to the beat of the drum that is pounded here.

The inaugural showed that tails are in again. Everyone now wears tails, which is perfectly fine.

My concern is that a message will be perceived by the rest of the nation if the projected budget cut becomes a reality. That message, as I read it, can possibly be the arts are really not that important.

We are concerned at this point in our history with our image abroad. I think it has to be recognized that one of our strongest image factors abroad is the health of our arts. After the Second World War, German opera houses were peopled by America singers. I will never forget reports of people in war-torn countries sitting in bombed out churches listening to concerts and going to opera houses, trying to rebuild their spirits which speaks again to what was very eloquently stated before that the arts are a spiritual food.

America has had a tradition of exporting great artists. Our training in this country is the best in the world.

In my capacity as visiting professor at the University of Maryland, one of the students I have had the pleasure of working with

this year just won the Metropolitan Opera auditions in this region and is now in New York preparing for the national semifinals.

It bothers me that the projected cuts in the NEA budget will possibly create difficulties in terms of this young woman finding a place to function as an artist because of the fact that opportunities in Europe for American singers are not as plentiful as they were 10 or 15 years ago.

The advent of the Common Market has made tremendous inroads into the availability of performance opportunities. Now the United Kingdom goes to France and Germany when it is looking for singers and less to the United States. The same is true of those countries. There is an agreement to utilize those artists first.

Here in the United States, although we have seen opportunities expand over the past 20 years, those opportunities do not provide anything like year-round employment for singers. Many of our opera companies have very short seasons.

In Europe, singers who are signed with opera companies have the ability of making a living all year round. A lot of those singers would love to come back home to perform, but we still do not have enough opportunity for them here. They are being closed out abroad. It makes a very difficult situation.

I feel a little uncomfortable at the University of Maryland, and also as artistic director of a small community arts school in Monte-Claire, New Jersey, where I lived, preparing young people for careers when I am not sure they are going to have a place to perform.

The other hat that I wear is as educator, wherein my concern is helping students to focus on the importance of the artistic experience, as opposed to the experience of just entertainment alone. I am concerned with the growth of future artists, and I am concerned with the growth of future audiences.

I think one reason we are here is because of an attitude that prevails throughout our society. I have seen it as a teacher. Whenever the money grows short, the education budget first eliminates the arts.

I think that is something of the same kind of situation we are dealing with here. The arts are not yet seen to be the basic in our lives that they actually are. Everthing we work for in this society, in terms of material gain, comes from creativity. The suits and dresses we wear are designed by creative people. The furniture we put in our homes and the homes themselves are the products of creativity. The automobiles we drive are the products of creative people who design them. We buy automobiles according to the way they look, a little more so now according to how many miles we can get out of the engine.

But this room we live in is a product of creative thought. I am concerned as an educator that there is always the attack, and those very subjects that have to do with that are the essence of creativity.

I trust that we will be able to make those aware who are in power of the basic quality of the arts in our lives that it really is as basic as the air we breathe. I would hate to think of a society wherein there is no music or no art or no theater. It is a society where I could not conceive of continuation of life.

The move we are facing now seems to be tantamount to pulling the Chinese rug out from under, rolling it up and pushing it aside and putting in a throw rug in its place.

I think for the performing artists and for the future generations in this country, I think that would be a terrible thing. We have started a wonderful thing in developing this endowment. It is still only a small part of the support. It has proven itself as a generator for tremendous support. I would personally like to see that continue, not only for myself as a performer but for those students I am actively working with to prepare for careers in this business.

Thank you very much.

Mr. YATES. Thank you.

Ms. KRAINIK. I must say I am the very new general manager of the Lyric Opera of Chicago.

Mr. YATES. We congratulate you.

TESTIMONY OF ARDIS KRAINIK

Ms. KRAINIK. Thank you, but the person who began and founded Lyric Opera of Chicago is the indomitable and very wonderful Carol Fox.

First of all, I would like to thank all of you for having us here today. It is a very important thing we have come to do and talk about and a very important issue, obviously, to all of us who are here and, of course, to all of you.

I would like to take a little bit of the history of the last few years of Lyric Opera, which Carol Fox founded and built and which I hope to carry on, to talk about how the NEA has affected Lyric Opera.

Although only two to three percent of our budget is supplied by NEA funds, the quality of life of Lyric Opera and its great expansion in the last 15 years has been very definitely affected by it.

First of all, our season's length went from eight weeks in 1965 to 14 weeks this year; from 35 performances in 1965 to 63 performances in 1981. 1981 also sees the inclusion of a new spring season which has been funded in part by the city of Chicago and its mayor, Jane Berne. This is a new innovation for Lyric Opera and a very important kind of expansion for us. It is perhaps the springboard for the expansion which we hope there will be in years to come.

Another form of expansion has been our syndicated radio broadcasts which are heard in 300 cities in the spring.

I don't like to talk about an elitist art form. I hate that word. Elitist, I like to think, means choice, and we all have the right to enjoy the choices.

When you have syndicated radio broadcasts across 300 different cities, that brings you to a lot more people than just your 3600 seat house can.

In 1975 we beamed our television show of Faust to millions of people, not only here but in the European community.

NEA funds directly supported Lyric Opera of Chicago's student performances—that is, performances for students—where Alfredo Krauss turned into a matinee idol and kids whistled and shouted and stamped and wanted him to come back and sing more. He was quite surprised, being one of the leading artists of the world, that the kids liked him so much. But they did, and have come back year after year to see the student performances and to buy tickets for

the main performances and have become our supporters and our contributors.

Lyric Opera's idea has always been that we should present the highest quality. I think that is not just Lyric Opera's idea; that is the idea of the entire opera community, the highest quality in its original language or in our own vernacular.

Another program that was not launched by NEA funds but was certainly made into what it is today is the Lyric Opera school, a training program for young people. They say copying is the sincerest form of flattery. The Opera School of Chicago has been copied first by the Houston Opera Company and then by others. We think it must have been a pretty good idea, because others have followed. We are very proud of that.

We have no idea that we must hold this to ourselves. Anything we might come up with as a new idea we would like to think that others would also think is a wonderful idea.

These training grounds for young people, a school to polish off the young singer, if I may put it that way, seems to have been exactly what the country needed and what is helping to generate new talent in the opera community. It takes care of those young people in the limbo years when they really cannot earn a living. It also turns out pretty good talent for the world community.

Two of our prize pupils were Miss Kathleen Kuhlman who is now a regular at the Cologne Opera Company and who opened LaScala Milan in the fall of this year in Falstaff singing the role of Meg. We think that is pretty good pickings for a fledgling just two years out of school.

Another one of our young graduates is Julian Robbins who was a regular at the Metropolitan Opera. This program was funded specifically by the NEA. Without that funding, it would not have been the success that it is.

There are lots of other things the NEA has been responsible for. May I touch on fund raising, which, of course, is our lifeblood at Lyric Opera besides the ticket income.

Corporate support has gone up 15 percent yearly. In the last five years from a few thousand dollars in 1965, corporate support has reached $593,000 in 1979. Our entire fund raising efforts from $1.5 million in 1965 have reached over 4 million this year.

I am not saying that the NEA was responsible for all of this. That is rather a lot to say and a great deal to swallow if I may put it that way.

It has a tremendous effect on the fund raising, partly because of the challenge grant program which was mentioned earlier which we were very grateful to participate in. It made a great deal of difference in our fund raising efforts. We were able to come up with $4.2 million, which is a very great deal of money to find for a company that is only 14 weeks long. It also made possible the computerization of all of our fund raising and our ticket lists. It made possible the improvement of our office facilities, not so that we had better decor but so that we had better use of our lists of personnel and systematized all of our efforts.

Naturally, I am not trying to say that the NEA has made all of this possible in the grandest sense. I am saying, however, that it did provide the seed money for all of this. It provides the climate.

It provides a concept, which is very important to us, that government is interested in the arts—opera, in particular—and is willing to support it and give it the recognition it has to have to continue and flourish.

I think I speak for all of the opera companies in America, as I know David did. The Lyric Opera of Chicago has experienced great growth in the last 15 years and this is true of every company in America.

This last week Mrs. Sadat visited Chicago and was feted to a dinner by the mayor on Monday evening. I was privileged to attend. I was very interested in what Mrs. Sadat said about the city. The one thing she picked out as a jewel in our crown was the Lyric Opera of Chicago.

I like the symphony too. I think the Chicago Symphony is terrific. But Mrs. Sadat just happened to mention that. I thought it was very fine that she mentioned the importance of the arts to our great city of Chicago and to any city.

One of the first things I had to do as the new general manager of Lyric Opera was trim my deficit. That started on January 9. I preceded President Reagan in the trimming of my deficit. I understood, even in advance the problems he was facing. I understand the necessity to trim deficit. I understand even more the necessity to reevaluate how we are spending our money, and how we are getting the most for it.

I would also like to reiterate what Ms. Stapleton said so vividly, that man does not live by bread alone. I think that the spiritual food the arts provide all of us and on which we live so wonderfully and gain hope and inspiration and courage for the future is very important. I trust that all of you are going to take the cutting and the reevaluating very seriously, because you are going to be taking a close look at the food that makes all of us happier, wiser, and hopefully makes for a better America.

Mr. YATES. Thank you very much.

Is there a relationship, in your opinion, between the possible loss of NEA support and the price of admission tickets?

Ms. KRAINIK. Yes. I think it would possibly have an effect.

Mr. YATES. You think it would. It would require the increase of admission.

Ms. KRAINIK. Yes, I think so.

In the first place, we would have to find $210,000 worth of support. I know that our board of directors, from a meeting I had just yesterday before I got on the plane, is talking about increasing ticket income for various reasons, including the possibility of losing the support of the NEA.

Mr. DICHIERA. I would like to say that, unfortunately, the programs that will go first when those cuts are made are the outreach programs that every opera company works so desperately to do. The subsidized student performances that we give at very, very low prices which are not possible with the extreme costs of producing opera and the programs that go out into the schools and that are the audience development.

That, I think, would be a great, great disaster. That is the preparation of our audiences and of our support for the future.

TESTIMONY OF BENITA VALENTE

Ms. VALENTE. My name is Benita Valente. I am a soprano. I am going to talk to you about the practical side of my life.

I grew up on a farm in California of immigrant parents. I was told at a very early age that I was very gifted. This gift was then helped along by all the people with whom I came in contact. I worked with some of the finest people in the world. They were in the United States. I had all the finest that one could have in this country.

I then graduated from school thinking I knew a lot and went to audition and was asked: where is your experience? I tried to find experience in this country and was told that Germany had some 65 opera houses and that I should go there.

I spent two years in Germany, sacrificing a great deal of my personal life. My husband had to stay here in this country. I spent a year in Freiborg.

I came back thinking I must start a family. My son was born, and I still could not get into the opera. I didn't have enough experience, although I had learned eight roles that first year.

I then took my son and went back to Germany and spent a year in Nurembourg and said, this is enough sacrificing; I am going to go home and see what I can do there. This was 1960 to 1965.

About that time things began to happen in the United States. The American National Opera Company asked me if I would come on tour with them. I did two more new roles. By 1973, I had gotten into the Metropolitan Opera. It was because of the NEA starting all of these little things—Washington Opera and Boston Opera were part of it—I had to go to Germany to learn the role I did sing at the Metropolitan Opera as my debut role.

After that, when I wanted to learn other roles. Four years ago I went to Little Rock, Arkansas, to do my first Traviata and then Long Beach, California, for my second. In this way, I am now ready to sing Traviata at the Metropolitan Opera.

Instead of sending us to Germany, please keep us here.

Mr. YATES. We would love to keep you here.

Ms. VALENTE. There was a time when I had to say to anyone with whom I came in contact: You must go to Germany.

Mr. YATES. What is your experience individually with NEA? As I understand your testimony NEA gave you the opportunity to sing in subsidized opera companies. Do they also help individual artists keep their roles?

Ms. VALENTE. No, I don't think they do. But in creating more work in this country, we are able to stay here.

I can say to students now who come to me and ask what I advise: Look to these extra opera programs in Chicago and Houston and Santa Fe and so forth. Instead of going straight to Germany, find this out first.

Mr. YATES. Thank you very much.

Mr. DICHIERA. Mr. Chairman, there is a program through the National Opera Institute which is funded, again, in part, by the National Endowment, which gives singer grants to young singers who are chosen on a very, very competitive basis of the finest around the country. They are given grants that allow them some support so that they can continue their lessons or have substance

while they are in that very difficult transition of developing a full career.

Mr. YATES. Thank you, panel, very much. We express to you our gratitude. Your testimony was very helpful. Thank you.

Mr. Robbins, you are described here as the Ballet Master for the New York City Ballet. You are accompanied by the Corps de Ballet of Senta Driver, Carmen deLavellade, Violette Verdy, Eliot Feld, who has a company in his own right, and Nancy Feldman. We are glad to have you here.

WITNESSES

JEROME ROBBINS, BALLET MASTER, NEW YORK CITY BALLET
SENTA DRIVER
CARMEN deLAVELLADE
VIOLETTE VERDY
ELIOT FELD
NANCY FELDMAN

Mr. ROBBINS. We are the last up, and we feel a little like the last act on the bill.

Mr. YATES. There still remain a number of witnesses.

Mr. ROBBINS. The last of the performing arts.

Mr. YATES. We will accept that description.

Mr. ROBBINS. What I would like to do first, Mr. Chairman, is thank you all for seeing and hearing us. We are a bunch of movers, and we are not used to words. I can only compare it by maybe asking you to come and take a professional class with us sometime and see how you feel.

Mr. YATES. We would do that for approximately 30 seconds.

Mr. ROBBINS. First, I would like to put on the record a statement.

Mr. YATES. Your statement may be made a part of the record.

[The statement follows:]

STATEMENT

OF

THE DANCE COMMUNITY

Presented

by

Jerome Robbins

Mr. Chairman and Members of the Subcommittee: I want to thank you for the opportunity to appear before you as a representative of the more than 10,000 professional men and women who are part of the dance community in the United States. Though the circumstances are unfortunate, I am delighted that we can provide you with information concerning the extraordinary growth that has taken place in American dance; the vital role played by the National Endowment for the Arts over the last fifteen (15) years in the development of this art form with which I am proud to be associated; and the losses which would be irrevocably sustained by our country and the American people if the National Endowment for the Arts' budget is decimated in the manner currently under consideration.

You might not be aware of how diverse our dance community has become. In 1965, the year National Endowment for the Arts funds were first made available for dance, American dance consisted of about thirty-five (35) professional companies, most of them located in New York City. Thanks in great measure to the pioneering efforts of the National Endowment for the Arts, we are no longer as we were in 1965 an art form of thirty-five (35) companies playing short seasons to half empty houses in large urban areas and supported in great measure by a few wealthy patrons.

The audience for dance in 1965 was estimated at one million persons. A Louis Harris and Associates study, America and the Arts, shows that in 1980 25% of the adult population (or forty million people) living in communities all across the country

paid to see a live dance performance during the year. And the market is not yet saturated--according to that Harris study, 44% of the population would like to see even more dance performances.

I appear before you representing not thirty-five (35) but four hundred (400) dance companies; representing dance forms ranging all the way from jazz and tap dancing to classical ballet and modern dance, from traditional ethnic dances to experimental work. Some companies perform the pieces of a single choreographer and focus on the creation of entirely new work. Others choose their repertories from dances created by a variety of artists and also recreate classic works of the 19th and 20th centuries. Some work is traditional in that it reflects the heritage of a particular country or ethnic group and still other pieces are reflections of the style of dance which has been prevalent in musical theater. And all of these dance forms are presently accessible to people from all walks of life, throughout all sections of the country.

Our company budgets range from several thousand dollars in some cases, to twelve (12) million dollars with total budgets of approximately ninety (90) million dollars. Our companies have "home bases" located in all parts of the country, and in all kinds of communities. Some of cour companies employ only a few people; others number artists and staff in the hundreds. Some of us receive National Endowment for the Arts funding, others do

not. But we are united, regardless of our artistic mission or circumstances, in our belief that we are all negatively affected if our government policy is that the arts are a very low priority in our society. And this can be the only interpretation of a government which would propose to cut the already limited arts funding by 50%.

> "The 20th century has witnessed an extraordinary explosion of the arts in America. Dance, perhaps more than any other art form has displayed dramatic growth in terms of individual artistic expression, the skills of the interpretative artists and the interest of audiences. The work of American choreographers is defining 20th century dance for the entire world. These creative and interpretive artists have made the United States the dance capital of the world.
>
> "Today dance has established itself as one of the most innovative and diverse of all the arts. As a discipline which has actively sought to make itself available to its audiences, dance has cultivated a devoted following. The audience for American dance has increased more dramatically than for any other art. This can be attributed primarily to companies touring to all corners of the country and the world, to their establishing home bases in metropolitan centers as well as rural communities and to the technology of television and film which dance artists are carefully learning to harness for their own uses."*

Of all the performing arts dance has shown the greatest growth over the last decade and one half, both in terms of audience acceptance and in the number of dance companies. In the last fifteen (15) years dance has come of age as an art form, with commensurate recognition by the general public.

Many of our dance companies today are located in major metropolitan areas throughout the United States--Chicago,

---

*Dance Program General Plan: 1982-85.

San Francisco, Boston, Philadelphia, Los Angeles, Seattle, Salt Lake City, Atlanta, Houston, Dallas and New York. Many other companies make their bases of operations in such smaller cities as Winston-Salem, Tulsa, Pittsburgh, Cincinnati, Rochester and Portland. Altogether, more than one hundred (100) communities throughout all fifty states are the homes of professional dance companies. Eighty percent (80%) of the audience for dance is now located outside of New York City. And the credit for this growth in the number of companies and the spreading out of their home locations, as well as the nationwide scope of their following, must in large part be given to the policies, programs and modest financial support provided by the National Endowment for the Arts.

Yes, the National Endowment for the Arts has been a major catalyst in the expansion in the number of dance companies and the size of the audience for dance. One of the primary reasons for this growth of dance has been the National Endowment's sponsorship of dance touring. These programs in support of dance touring represent a partnership between the federal government, dance companies and local individuals, corporations and foundations helping a local sponsor bring the highest quality dance to his or her community. This is done by giving the local sponsor a sum of federal money which, on the average, is equal to about 26% of a contracted dance company's fee. However, a local sponsor has many more expenses in sponsoring

a dance company than just its fee. He/she must rent a theater, prepare promotional and advertising materials and pay for placing the advertising, pay stagehands, ushers and sometimes provide live musicians, print programs, and so forth. In fact, a local sponsor's costs of a dance company engagement is estimated to usually be double the company fee. This being the case, the sponsor is in reality receiving only 13% of his/her costs from the federal government. The remainder of the monies needed must be raised from ticket sales as well as from local corporations, businesses, foundations, state and local government and from individual donors.

The five (5) million dollars which represents the National Endowment for the Arts' present yearly budget for the touring of dance companies has served as a catalyst for the growth of dance in three principle ways. First, without such an influx of contributed funds, both public and private, to the sponsoring organization the sponsor would have had to greatly increase the price of tickets, which would severely limit the number and type of people who now can and do attend more than sixteen thousand (16,000) dance performances yearly. Second, an exceptional feature of the National Endowment's sponsorship of dance touring is the diversity of non-concert activities participated in by members of the touring company while in the sponsor's local community. And third, while it is argued by proponents of cutting the National Endowment's budget that state and local governmental bodies, plus corporate

and private funding sources will increase their contributions to make up for any loss in federal funding, the fact is that the National Endowment's funding has provided the main impetus for generating these other sources of contributions and that other funding many shrink, rather than grow, if the National Endowment were forced to reduce its support of dance touring. Since federal funds only provide about 13% of the expenses of performances and other activities of Endowment-sponsored dance touring, it can be seen that between the time this five (5) million dollars provided by the National Endowment for the Arts leaves Washington, D.C., and the time the dance companies finish their performances, that money will have multiplied eight times and will be worth some forty (40) million dollars in local economic activity throughout the country.

Federal support of dance touring began as a pilot project of the National Endowment for the Arts in 1967 when four dance companies visited eight communities in two states for a total of eight weeks. In 1980-81, eighty-one dance companies of outstanding quality representing all forms of dance toured to fifty states and jurisdictions--460 communities--for over 350 weeks with National Endowment support. Since such dance touring sponsorship began in 1967 the federal dollars have totalled $19.7 million dollars. More than two thousand (2,000) communities have been affected to the extent of $158 million dollars in direct economic activity.

Television has also played a major role in the growth of American dance audiences. Through its aupport of public television programs such as Dance In America, Great Performances, and Live from Lincoln Center, as well as through other programs on dance that have appeared on commercial networks over the last several years, the National Endowment for the Arts has given the public the widest possible access to the finest dance companies in America. These programs have made all forms of dance available and accessible to everyone, by performers and choreographers sometimes well-known and sometimes previously unheralded. They have educated the public and have created a market of people who, having seen dance on television, have come to appreciate and understand it and are now ready and willing to move outside their homes to pay to see this art form live. Fifteen years ago, the market for dance was very small. If you add to the forty (40) million people who saw dance live last year, the many more who saw companies presented on television, the dance audience is very large indeed. Touring and television then, both forged from a partnership between the federal government and private funding, are responsible for the increase in dance in this country, and the emergence of dance as an important national industry.

There is one aspect of this emergence of the acceptance of dance as an important national treasure which has not received the recognition it deserves. The touring of

American dance companies has itself had a catalytic effect on communities all across the country. In many cases citizens of a community have decided that their community should have access to dance on a more regular basis than can be provided by touring companies or television performances. They had been impressed and motivated by the enjoyment they had received from dance performances, by the educational experiences provided their children through exposure to dance, and by a new-felt desire to support and be associated with artistic process. So in the late 1960's and into the 1970's dance companies sprang up around the country. While many of these companies came about as a result of the desire of the local citizenry to fund and have their own home-based companies in addition to presenting national companies coming in from the outside, still other companies were the result of dancers and choreographers deciding that instead of going to New York to work as had been done by previous generations of artists, there had now developed enough interest so that they could successfully practice their craft in communities in which they had their roots. Finally, dancers and choreographers from New York, seeing opportunities for growth outside "the Big Apple", have moved out to work with and become a part of companies all across America.

With this "federalism" which characterizes the American dance scene today has developed a growing institutionalization of many of the dance companies themselves. I hasten to add

that this healthy, stabilizing effect has been delicately balanced by a sturdy retention of the independent artistic spirit. Today, it is the norm for dance companies to be professionally managed, to call upon the services of support personnel who understand and can utilize sophisticated administrative strategies including long-range planning and marketing techniques. Companies have broadened the composition and activities of their Boards of Directors, and this in turn is leading to the development of new fundraising strategies.

Endowment funds have not only moved dance resources around the country and provided assistance to companies in the development of their internal professional management. Grants to dance companies have also been used to assist the companies in their resident communities. These companies provide ongoing service to their resident cities, counties and states through professional training, home season performances, in-school programs and most importantly by their daily lives in the community as creative artists and resources. These companies are becoming part of the pride of their communities. Endowment funds to assist in providing services such as new productions for home seasons, rehearsal pay, or promotional and fundraising campaigns have contributed to the diversification of income base of these companies and have enabled these companies to develop within particular communities as an ongoing resource to meet the

76-703 0 - 81 - 8 (6b)

growing demand of audiences for quality dance. Dance companies are perceived by a growing number of metropolitan areas to be as necessary as their symphony, public television station or sport teams. Money to dance companies is therefore dollars invested in the spirit of America's communities. The Boards of Directors of these companies often represent the city's business community and community leaders. People devote hours of their valuable time because they are convinced of the value. Endowment funds form a small financial but large morale percentage of these hard-working and extremely productive organizations.

> "The primary purposes of arts and cultural institutions is to add to creative expression and quality of life, and not to generate dollars and jobs for the community. To substitute the economic value of the arts for their human, spiritual, and aesthetic value could be dangerous. The economic value of the arts should be viewed as a by product and not the primary reason for their existence. It would be serious and a self-defeating mistake for institutions to make artistic decisions on the basis of potential economic impact. However...the arts (can) benefit the community economically. Economic impact studies show how money flows between the arts and economic development of a community can be complementary".*

In short, while dance companies are formed and supported for their artistic merit, they make a positive contribution to the American economy. We would hope that the arguments based upon the artistic contributions of dance in America (and the arts in general) would be more than sufficient reason to reverse the proposed National Endowment for the Arts budget cuts. But if this is not enough, then consider the devestation which would be inflicted upon a significant segment of America's

economic family in the name of an extraordinarily small potential savings in the total federal budget.

The Administration has suggested that cutting National Endowment for the Arts funding from $175 to $88 million dollars will mean a significant savings to the economy of the country. It is unfortunate that the budget planners have not properly considered the dance industry from an economic perspective.

The positive economic impact of cultural institutions on a community in which they are based is considered in a recent study. The following quotation is taken from the introductory chapter of that study:

> "Do appropriations have any economic significance in terms of jobs, and income and tax revenues, and is that impact sufficient to counter the view that the arts are a net 'drain' on the local economy? There is the clear suggestion that some cultural activities are responsible for as much in tax revenues as they get in appropriations and they have noticeable if modest impacts on jobs and income in other sectors of the economy. Further, it is clear that cultural programs can serve both residents and visitors in a metropolitan area. Cultural activities may sometimes be solely responsible for inducing persons outside metropolitan areas to make day and night trips. It may be assumed that even when cultural organizations are not solely responsible for these visits, they may often be one among other planned activities, and so may directly contribute to increasing the number of audience visits.
>
> "At the same time, it is also clear that the non-profit institutions examined in this study are small businesses that sell the majority of their 'output' to local residents."*

A dance company performance involves far more of the local economy than simply the people directly attached to the company. For instance, in order to perform in its home city a

---

* Economic Impact of Arts and Cultural Institutions (Report #15) National Endowment for the Arts, January, 1981.

dance company must have someone prepare advertising and promotional materials, employ local graphic designers, copywriters, printers and perhaps television personnel. Company representatives place ads in local newspapers and on local television. They rent theaters, pay janitorial and cleaning staff and stagehands; they print tickets and programs, have costumes cleaned and hire ushers.

In addition, people coming to a performance spend their dollars at local restaurants, at downtown parking lots and for babysitters, and if they are from out-of-town they stay at local hotels. Dance can be said to have some significance as a tourist industry, since non-local people may come into a community particularly to see a performance and then stay to other things as well. Many others will specifically schedule a trip having additional purposes with the knowledge that a dance company is performing at the same time.

Data available from the study just referred to and from other sources suggests the broad economic impact of this segment of America's arts community. Total budgets for American dance companies is approximately ninety (90) million dollars (including both home-based and touring activities). As affects their home communities and in addition to direct-effect spending, dance companies generate $320 million dollars per year in the form of local business volume and also account for at least $105 million per year in local audience spending (exclusive of ticket income.)

Dance companies also have a substantial economic impact when they tour to communities outside their own. Again, local labor must supply all the ancillary services needed to promote and produce a performance, audience expenditure will be more than just ticket sales and companies will provide significant amounts of money to the travel and transportation industries in order to move personnel, sets, costumes and other equipment by plane, bus, van and truck.

A report produced by the Southern Arts Federation surveyed the economic impact of a twenty-eight (28) day residency in Atlanta during the fall of 1977 by the Alvin Ailey American Dance Theatre. The survey demonstrated that for four weeks of performances and other activities (made possible in part by National Endowment funding) there was a $1.6 million dollar impact upon the city of Atlanta's economy. Direct cash expenditures by audiences aside from ticket prices totalled half a million dollars and sixty-nine (69) new jobs were produced for Atlanta citizens.

On a national basis, the National Endowment helps make possible more than 360 weeks of touring per year, or more than eighty (80) times the amount of economic activity documented in this Atlanta study. Thus the national impact of touring activities aided by the National Endowment is in excess of $125 million dollars per year.

There are other interactions with our national well-being which may be harder to quantify. Dance performances may also serve to help create a climate in which businesses and residents

will stay in, or move back to older sections of our inner cities. For example, the Dallas Ballet is one of several cultural institutions in Dallas which is currently renovating an old downtown theater. It is hoped that this building will be an integral part of the growing renovation of downtown Dallas (which includes a new city office complex, libraries, and hotels) which the City of Dallas is encouraging as a means of attracting people back into the downtown area and to strengthen local restaurants, department stores and the like.

At a Congressional hearing a year ago in support of the re-authorization of the National Endowment for the Arts, Phyllis Curtain put it this way:

> "Cities where theater companies and symphony orchestras have found homes have discovered that restaurants, stores, parking garages and apartment complexes have sprung up around their theaters and concert halls. This economic resurgence is a direct outgrowth of the arts' ability to draw people into areas once in decline.
>
> "One need only look at Lincoln Center to learn the reason for the rejuvenation of Manhattan's Upper West Side--a rejuvenation that would not have been possible without the influx of people brought into the area by the arts complex. Studies show that people attending the performing arts in metropolitan areas spend 80% more than the cost of their ticket on ancillary services. The multitude of restaurants and shops which border Lincoln Center attest to the economic impact the arts have had on this area. This is a pattern which is being duplicated in cities across America. The arts can no longer be considered a frill industry. They are the seeds for the economic and cultural revitalization of our urban landscape."

Mr. Chairman, the funding of dance by the National Endowment for the Arts is not a subsidy. Only nine million dollars was provided by the National Endowment for dance activities in 1980, of which only 212 million dollars constituted direct support to dance companies. Not one of our four hundred (400)

companies depends wholly on National Endowment funds. Those dance companies which received this 2.2 million dollars were able to use the money to raise an additional 25 million dollars from private funding sources and to generate more than 45 million dollars in earned income.

I would like to share with the Committee one more statistic based upon a somewhat unscientific survey. During the last few weeks a number of dance companies were contacted and asked to provide certain data. These dance companies received a total of $587,500 in National Endowment funding in connection with their company activity in 1980. By comparison, these same companies forwarded to the federal government $1,835,338 in employee withholding and employer and employee FICA contributions, or triple the return on the Endowment funding from just this one aspect of the dance community's participation in the American economy.

The conclusion then must be that dance companies with a very small amount of federal funding are generating substantial economic impact across the country. Although we cannot speak for the other disciplines, we believe that this must be the case not only for dance, but also for opera, theater, symphony and museums.

Well, what will happen if the arts budget is cut 50% as proposed and dance's portion cut from almost ten million to five million dollars? There is no alternative source of funds.

It has been suggested that in the event the cuts proposed by the Administration are made the slack will be made up by private industry. This suggestion is ill-informed. I think speakers representing major corporations and foundations who are presenting materials here today will tell you that they are not in a position to pick up the slack.* I think the mayors and governors also testifying here today will tell you that they will be unable to make additional contributions. Especially in the case of state governments, much of their arts money comes in the form of block grants from the National Endowment which will also be significantly cut if the arts budget is slashed.

The consequences of the proposed cuts would be far more serious than the dollars "saved". We have asked dance companies to tell us what they believe will happen. What they have told us is not pleasant to contemplate.

Consider this from a West Coast modern dance company with a budget of half a million dollars and a full-time staff of fifteen persons. The company has performed in most of our fifty states and does more than sixty performances plus many ancillary activities each year with an audience estimated at 60,000 annually. "Seventy percent of our income is earned. Last year, the federal support to local sponsors enabled us to find sponsors for sixteen weeks of national touring. We anticipate that with a significant cut in federal dollars local sponsors of dance will

---

*With the Committee's permission, I would like to submit for the record and append to my written statement an article from the

find it necessary to cut back on the number of companies they present. Those who have a history of presenting several companies may present one; those who have presented one may choose to present dance every other year. Our touring could drop by one half. Even our activities at home would be affected by National Endowment budget cuts. The small amount of money we get directly from the Endowment, added to private monies which we raise gives us the opportunity to reach out to our local community through performance and in other ways. But a cutback in our federal funding would make it difficult for us to teach and perform as we do now. We are proud that we pay our dancers fifty-two (52) weeks per year. With this cut, and much less work, while we would probably not be able to cut down the number of dancers and staff we employ, we owuld have to lay off personnel for significant periods of time. As I understand, this would at least enable them to collect unemployment insurance for those periods when we can't find enough work."

For some newer companies who have not had as much of an opportunity to institutionalize themselves, the funding cuts might mean that they would cease to exist at all. When questioned about this, one artistic director with a company based in a smaller community replied, "We expect that we will have to close shop completely. Local corporations and foundations are just

2/26/81 edition of the Wall Street Journal entitle "Companies Doubt Their Art Giving Would Rise to Offset Reagan's Cuts", which covers this last point further, and explores the harmful relationship between inflation and arts funding even if there were no cut in the National Endowment for the Arts' budget.

getting to know who we are and supporting us. The small amounts of federal money we received helped us to develop that. We are one of those compnaies that with a 50% cut could be in a position to receive no money at all. I believe foundations and corporations will see the cut in our National Endowment funding as a signal that we are not important and not worth the private funding. Highly trained artists shouldn't be asked to wait on tables during the day and to rehearse at night and perform for nothing. If all this comes about, our local community will be the poorer for it both artistically and economically."

The effect of a 50% cut in National Endowment for the Arts funding on a large ballet company was described by that company's general manager as "disasterous". "We would be forced," he said, "to reduce the number of dancers presently employed by the company. We would also lose technical and administrative personnel. The loss of the dancers would be a special strain in that we need enough dancers so that we have the depth to make replacements for those dancers who get injured during a tour or home season. With everyone dancing in more ballets than they should because of a shortage of dancers, I anticipate injuries will be much more frequent. Also important is that our ability to sell our long home season subscription tickets relies on presenting the public with a variety of new works and revivals. With a reduction of National Endowment money, we would have to cut down on our productions and I think this will hurt our ticket sales."

Access to dance for some states and regions will also become problematic. The Helena Performing Arts Society has sponsored a performing arts series for the last three years in Helena, Montana, population 25,000. It sells 5,000 tickets annually to its series of five events which have included two dance companies each season.

> "Fifty percent of our income is from ticket sales, the remainder we raise locally. We receive a small amount of money from the National Endowment for the Arts, but this federal funding plays a major role in our local fundraising. Dance is one of the most expensive art forms to present because of its technical needs. The National Endowment support gives us the edge that makes it possible to present dance out here and to keep the ticket prices reasonable. People in this part of the country drive several hundred miles to see the dance companies we present. With a cut in National Endowment funding I don't think companies will be able to get all the way up here. I'm not going to be able to give them enough money even if I work with other Montana sponsors to compensate them for the travel involved."

Established sponsors of dance in larger cities feel they will also be effected:

> "We will have to substantially reduce the number of companies we present. We will not be able to take any artistic risks and present something terrific we think our audience should see,but might not be able to sell the first time around. Unfortunately, my organization will probably have to cut off its outreach program which helped bring dance into the schools and some surrounding communities. We are raising as much money from the private sector as we can. Our costs for producing are skyrocketing with inflation; this is not the dance company's fault, but without National Endowment for the Arts funding a great deal of what we have developed over the last ten years will have to go by the boards."

What is that bottom line for all of this? We estimate that at least 25% of the companies presently operating around

the country would be forced to either go out of business completely or lay off personnel for significant periods of time. This will mean a loss of employment of many of the 10,000 people directly working for the companies who may suddenly find themselves on the unemployment lines and to local businesses who will not have income from dance productions as well as the travel industry which will lose money when companies are unable to tour. One company of twenty-five (25) persons estimates it spends a minimum of $2,000 per day on travel, freight and per diem costs for tour. This figure is fairly standard for all touring companies. In other words, a ripple effect across the economy plus a norraowing of the audience base for American dance.

And all this over a cut of $88 million dollars...When you multiply the economic impact of all the arts disciplines I believe that the arguments that this $88 million dollars will actually be "saved" by cutting the arts budget is misinformed.

Let me add one additional word concerning the National Endowment forthe Arts' contribution to the dance community. The National Endowment's dance programs were created by the federal government and have been a source of pride for all who are in contact with them--the dance companies, the local sponsors, the audiences, the corporations, the foundations, the individual contributors and the government itself. It would be a travesty to massacre such a significant example of government/private sector cooperation..

* * * * * *

Finally, Mr. Chairman, I ask you and the Subcommittee to consider the irreparable harm to the quality of American life that would result from a forced contraction of the American dance community. The work of American choreographers and dancers has defined twentieth century dance for the entire world. These creative and interpretive artists have made our nation the dance capital of the world. We have living and working in the U.S. today the major creative geniuses of twentieth century dance. If we were to companre dance to music we might say it is as if Beethoven, Wagner, Brahms, Wagner and Verdi were all alive and working in the U.S. presently. This genius has taken root and flourished because of a very special environment that allows for creative experimentation, growth and artistic diversity. America also produces the best dancers in the world. Outstanding dancers trined in the U.S.A. perform not only in companies in this country but around the world. And new artistic talents see the outstanding achievements around them and are themselves inspired to greatness. One could truly say that artistically this is a "Golden Age" of dance.

In his recent inaugural speech President Reagan proposed to the American people that the nation unite in a "new beginning" in an attempt to find ways to regain the national unity and sense of purpose and world leadership which has eroded over the last several decades. Mr. Reagan's fifty percent budget cut, however, would be a step toward the destruction of the one area in which the U.S. is unquestionably the world leader--the arts.

Our image as a leader in world industry, science, economy and military might has been declining for several decades. Our image as the acknowledged leader in the arts has grown and flourished during that same period. We are the best. We are the best of America and attract the best of the world. Foreign dancers and choreographers clamor to work in American dance and countries around the world subsidize our visits to their shores because they want their people to see the best. We are pre-eminent in this field. This is in spite of the fact that dance in the U.S. receives the least amount of government support of any major country in the world. The National Endowment for the Arts spends ten million dollars for the support of dance in the U.S. However, in most every other major country and even many less developed ones, government funding is many times greater than in our own. It is thus all the more laudable that the National Endowment has succeeded in making it possible for so many Americans to see and appreciate this guiding spirit of genius which permeates the American dance scene today.

Who can argue with the President's aspirations for our nation? But we should all be aware of two things. First, that the arts are one of those rare gifts that have the inherent capacity to unite a people; and secondly, that cost cutting in the arts is not like cost cutting elsewhere. The arts are a labor intensive industry. We can't become more effective by hiring less people or turning out more widgets. Dancers cannot perform more than a certain number of times per week. Choreographers cannot create two dancers in the space of time it usually takes to

make one. Industries pump millions into research and development in the hope of one invention or discovery that will provide a growth factor for the business. We pump blood, sweat and tears into helping millions discover the beauty of dance. The economics are just not the same.

The President reminds us to take pride in our citizenship. Dance is constantly demonstrating America's greatness to the rest of the world. It has been an extraordinary ambassador for our nation. Time after time visits by American dance companies to foreign nations have provided a bridge between peoples which has made possible later understandings between governments. Dance is truly a universal language. A movement, a gesture can be understood anywhere crossing language, religious, nationalistic and cultural borders.

Mr. Chairman, America is at a crossroads. It faces difficult sledding in its attempt to regain its stature in the world. These times will demand sacrifices from the American people in many ways. It is especially during these times of sacrifice when the arts are needed more than ever. In addressing this concern before the Senate Suboommittee on Education, Arts and Humanities in 1979 choreographer Agnes de Mille stated, "This is the time above all other when we need what art can bring us, the sense of truth, the sense of verity, the sense of sanity, of health, of humor, delight."

Martha Graham once quoted a Greek historian who waid of a particular city-state, "They had no poet so they died". The arts are at the crux of our society. More than almost anything

else they have the ability to take us out of ourselves, to transcend the everyday activities in which we are involved to strip away all the coverings in which we shroud ourselves and help us experience moments of great beauty.

The dollars we are seeking to retain for the arts are small. Very small for what they have the power to do for the human spirit. Miniscule in terms of the nation's entire budget--one-fourth of one-tenth of 1%--even at the current fundin g level of $175 million dollars. And yet packing a surprising wallop in their impact on our quality of life, on our image and presence around the world and finally on our economy.

John F. Kennedy said of the arts, and his words are written on the west wall at the Kennedy Center, that, "The life of the arts, far from being an interruption, a distraction, in the life of a nation is very close to the center of a nation's purpose--and is a test of the quality of a nation's civilization."

We in dance community believe this to be the case and ask for your support. Thank you.

helen keane

—— ARTISTS MANAGEMENT —— 49 EAST 96TH STREET, NEW YORK 10028, N.Y. • (212) 722-2921

Carmen de Lavallade, born in Los Angeles, became Leading dancer with Lester Horton's Dance Theater, and from her performances with this company was invited to Broadway to appear in "House of Flowers." Subsequently she was engaged by the Metropolitan Opera and was the featured soloist in "Faust." For two seasons she was guest artist with the American Ballet Theater, and starred in the New York City Center's productions of "Carmina Burana" and "Catulli Carmina." In Spoleto, Italy she starred at The Festival of Two Worlds and later toured Israel with her own dance company. Under the auspices of the State Department, Miss de Lavallade and Alvin Ailey formed a company which toured the Far East. Following this she was the recipient of the Dance Magazine Award.

In recent years Miss de Lavallade has increasingly combined careers in dance and theater. While a professor at Yale University, she was a leading member of the Yale Repertory Theatre Company. Among her major roles were performances in: Story Theatre, Crimes and Crimes, Don Juan, When We Dead Awaken, The Seven Deadly Sins, Le Bourgeois Gentilhomme, Macbett, The Ritz, Julius Caesar, Macbeth, Lear, The Tempest and as Titania in A Midsummer Night's Dream. She also performed as a singer at the Yale Cabaret in: "An Evening of Noel Coward" with Jeremy Geidt, "An Evening of Harold Arlen" with Leonard Frey and Jeremy Geidt and "An Evening of Duke Ellington" with the Mitchell-Ruff Duo.

Miss de Lavallade has choreographed productions of "A Midsummer Night's Dream" for the Yale Repertory Theatre, the American Repertory Theatre Company at Harvard and Boston's Wilbur Theatre. In addition to several other Yale Repertory works, she staged the Tyrone Guthrie Theatre's production of "A Beggar's Opera" and choreographed the world premiere of "Sensemaya" for Arthur Mitchell's Dance Theater of Harlem.

76-703 0 - 81 - 9 (6b)

Her dancing career has been highlighted by appearances as guest artist with the San Francisco Ballet, many performances at the Delacorte Theatre in Central Park, and with Arthur Fiedler and the Boston Pops, Benny Goodman at Carnegie Hall and the Eastman Theatre in Rochester, and The Bill Evans Trio at Yale and in Detroit. With the Alvin Ailey American Dance Theater, in his fall 1979 season in New York City, she again brought to the stage the classic ballet created for her, "A Portrait of Billie," based on the life of Billie Holiday.

Most recently, her acting credits include Emilia in the Roundabout Theatre production of "Othello" with Earle Hyman, for which she received an Off-Broadway award. She also appeared as the wife of Willie Loman in the Trinity Square Players production of "Death of a Salesman" in Providence, Rhode Island, and has repeated her critically-acclaimed role of Titania in "A Midsummer Night's Dream" at the American Repertory Theatre's Loeb Drama Center at Harvard in Cambridge, Massachusetts and at the Wilbur Theatre in Boston. The Boston production has been taped for television.

Miss de Lavallade is currently appearing as the star of the Brecht/Weill musical play "The Seven Deadly Sins," also at the Loeb, and she will soon be seen in a featured role on the PBS Television dramatic series "The New Voice."

TESTIMONY OF JEROME ROBBINS

Mr. ROBBINS. This statement will be joined by statements of some of my colleagues who cannot be here today—Martha Graham, Paul Taylor, Merce Cunningham, Arthur Mitchell, Twila Tharp, Lou Christiansen, Michael Swoon, and many others.

Mr. YATES. Their sponsorship to your statement will be noted.

Mr. ROBBINS. I was privileged to serve as a member of the National Endowment of the Arts during the seventies. I witnessed the extraordinary explosion of the arts in America, due essentially to the foresight of some brilliant legislation that nurtured this development.

During that period, the appropriations grew larger and larger under successive administrations, whether Republican or Democrat.

This economic help was vital, and I hope that as I continue my statement you will understand it is all in reference to the NEA and its help in developing our dance culture.

I would also like to say that while I talk about dance, which is this panel, if I make very big statements, it is not in contrast to the other arts. I hope they will consider it in connection with it.

The economic help that the NEA gave us was vital. The statistics showing the growth of these arts are staggering and are documented. You have heard a lot of them today and there is a lot in this. But just as vital—even more so—was the meaning of that legislation which was the recognition by our government of the arts in this country and its help to it. That made us all strive harder for the best, the ideal, the creative, and every part of American life we could represent.

Our country seems to have excelled in four areas: food production, technological innovation, defense capability, and most of all in the flourishing of artistic and creative endeavor. This is particularly true, and extraordinarily true, of the dance.

In our brief history of 200 years, what has happened in our culture in the dance is remarkable. Sometimes I feel it is not recognized in this country. We are recognized to an enormous amount all over the world.

In contrast to what you just heard about the opera, we can export our choreographers and our dancers. They want us. They recognize what we are about. Not only that, but they invite the largest of our companies to perform there. They invite us. We aren't sent by the government. They want to see what we are doing.

All of this is in danger by the cutting and withdrawal of funds to the NEA.

The first things that I mentioned—food production and technological innovation and defense capability—cost us billions and billions of dollars. Government support of the arts is less than one-quarter of one-tenth of one percent of the entire Federal budget. I think they are getting a hell of a buy.

The work of American choreographers and dancers has defined the 20th Century dance for the entire world. These creative and interpretive artists have made our nation the dance capital of the world. This has to be recognized.

When President Reagan wants us to bolster our world image, he must not cut back on the arts. We are recognized, in the dance particularly, as the leader.

We have living and working in the United States today the major artists of the 20th Century. Their work has taken root and flourished because of a very special environment that allows for growth, creative experimentation, and artistic diversity. That environment has been nourished by the NEA.

In his recent inaugural speech, President Reagan proposed to the American people that the nation unite in a new beginning in an attempt for the United States to find ways to regain national unity and a sense of purpose and world leadership which have been lost over the last several decades. I agree.

Our image as a world leader has slowly eroded over the years, but our image as the acknowledged leader in the arts has continued and unquestionably grown.

We are the best of American artists, and we are represented that way all over the world.

In dance, artists from all over the world come to work in the United States.

The Administration's proposed 50 percent cut to the NEA endowment would be a step toward the destruction in one area where the United States is unquestionably a leader in the arts. We have a major asset, a national asset, and it must not be allowed to be destroyed.

I would like to turn this over now to the other members of the panel. Violette Verdy is co-director of the Boston Ballet.

TESTIMONY OF VIOLETTE VERDY

Ms. VERDY. Thank you very much for the chance to be here today.

Mr. Robbins has said very clearly what it is about the art of dance in this country. I had the great honor and privilege of working with him and Mr. Balanchine for almost 20 years.

Since that time, I have been in Europe and with the Boston Ballet. Last year we had the chance to be the first American ballet company to perform in China. I was able to join them for a few days.

What I saw was enough to confirm the real purpose which can't get lost in any way, I believe, because the art of dance is really truly universal. It can communicate to all people everywhere.

In China, which has enough taste to have turned to American dancers before turning itself over to the Soviet teachers and choreographers, I have been able to see the same miracle accomplished.

A great deal of cultural exchange was accomplished there, not only with the performances but with many lecture demonstrations from both sides. There was a wonderful exchange all day long. This is the way this particular kind of embassy can best be conducted and accomplished.

When I was in Egypt in 1975 for a brief visit, the Soviet teachers were not there any longer either. They were beginning to turn to American dancers, choreographers and teachers.

As for France and the rest of Europe, there is only one force now that they recognize in creativity in dance and that is the United States artists of the dance. They are the most remarkable. As Mr.

Robbins said, they have created this century. But in creating this century, they have of course taken care of the next one.

This is something which is so much in demand. In this country it is not done in a political way. It is done in its own free, true, sincere terms of beauty and achievement, of peace, order, and harmony. It is not used as a political weapon in any way. It is just allowed to be what it is as a flower.

Somehow I cannot possibly mourn. I am hoping nothing bad is going to happen. It seems to me that the momentum is so extraordinary that I can't imagine how we could possibly stop it. It is more than a need. It is an affirmation of the best qualities of people. It is beautiful to see how it is going.

I would like very much to introduce Senta Driver, who is a very brave young woman who has her own company called Hary.

TESTIMONY OF SENTA DRIVER

Ms. DRIVER. I come from another side of the dance field. I come from the side that used to be called modern dance. Laura Deane, who is a colleague of mine, proposes a new title for the kind of work we do which I assent to. She calls it New American Dance.

We are working on an experimental basis. We are inventing new languages. American classical choreographers, two of whom are with me today, are recognized around the world for the way in which they have brought the classical European vocabulary to a new state. We are trying to work on a different level to make new languages possible.

My company is very small and very young. I represent in some way the rising generation. We are a generation that could be lost if the cuts have to be so deep. We all recognize as citizens that cuts across the board of some kind will be necessary. Reevaluation is always necessary.

If we have to compete with other sides of the field, and I am thinking particularly of the service organizations that have meant a particularly great deal to my development, we stand in danger of creating a situation in which I can be perhaps given money to make a piece but there is no place to show it.

Small companies need assistance in reaching a level of self-help, a level of broadly based support. Foundations and corporations are not prepared to underwrite a company with a budget of $5,000 a year, a company making its first initial steps toward a contribution to the field.

The NEA's recognition by direct grants has been extremely important in this regard, as everyone has said before you today.

But more than that, I find that I have been taught how to help myself. I know I speak for many of us.

The first thing I did when I left the Paul Taylor Company to try and begin my own work was to run across a management course funded partly by the NEA and designed to teach people like me how to make the best use of our money and how not to think that if the NEA wouldn't support us we had to disappear.

This was a self-help thing. This gave us a perspective. You can do it; you must do it. You cannot depend entirely on the Federal Government or any other government or any other source.

I think that I wasted less time. I think I made more efficient use of my resources because there were so many kinds of advice and kinds of shared resources available through NEA-funded programs.

None of these programs were entirely dependent on the NEA, of course.

I am interested when Benita Valente remarked that she left school and thought perhaps she knew a great deal. I was at Ohio State University being trained as a dancer about 17 years ago. Someone came through on a program to discuss the possible formation of a Federal program to fund the arts. They were soliciting information and opinions from a variety of people.

I remember the man said: We cannot pay all of the costs. We cannot be the source of funding for you. We propose to start this agency to uncover new sources of funding. I knew everything then, and I thought: here's another one. Give us the money yourself. What do you mean new sources of funding. Give it direct without passing the buck. I was very wrong.

They have done a brilliant job. The endowment has done a tremendously impressive job in uncovering new sources of funding and acting as a catalyst, particularly for the first few years of anyone's development. I think the dance program has had an equally fine record of uncovering excellence in its early stages and showing it how to go to a higher level of development and how to take care of itself and how not to be a creation of the government and not to be what Mr. Stockman considers a full dependent of the government.

It has not been the case of the NEA being our first resource. The NEA has illuminated standards for us of management and development and has helped us find the ways to meet those standards.

I was a member of the Paul Taylor Company when they did the first touring under NEA assistance, the dance touring program which has brought into creation an enormous variety of sponsors.

I have had the privilege of dancing in the states of most of these people here.

I saw it at the beginning, and it worked. It worked brilliantly. When it took off, it took care of itself. It was never wholly dependent upon the NEA.

Let us learn and continue to develop. Let the next generation have the same assistance in becoming self-sufficient to the extent that it can.

I introduce Eliot Feld, director of his own ballet company.

Mr. YATES. Before we meet Mr. Feld, did you dance in Texas too?

Ms. DRIVER. Yes, sir. I just returned from Texas with my own company. I have danced in my repertory and also under the Taylor Company.

Mr. YATES. Did you have audiences in Texas?

Ms. DRIVER. Yes, we did.

Mr. YATES. Where in Texas did you dance?

Ms. DRIVER. We danced in Houston at the University of Houston and at Denton, Texas. We taught a number of classes in two colleges in Dallas.

The two performance residencies were partially funded by the National Endowment.

That is my second visit to Denton.

Mr. LOEFFLER. I am sure she did a wonderful job dancing in Texas, but she missed the most beautiful site, San Antonio.

Ms. DRIVER. I will immediately tell San Antonio that they have a responsibility.

Mr. LOEFFLER. Before the end of the day, a gentleman representing San Antonio and the arts in San Antonio will be here, and we will all three visit together.

Ms. DRIVER. If I do not dance in San Antonio, I assure you that someone else will.

Mr. YATES. But not nearly as well.

TESTIMONY OF ELIOT FELD

Mr. FELD. Without the endowment, we would not be dancing in any of these places. I believe that is why we are all here today, for reasons such as that.

I believe that the proposed cut of endowment funds by 50 percent which would be a $5 million reduction in support of dance is a calamity to both dance as an industry and as an art.

The public has been assured that cuts in social programs will still provide a safety net to protect those who are truly needy. The fact is that dance has never had such a safety net.

The proposed 50 percent reduction in funding for dance threatens its basic vitality.

Perhaps large dance institutions with influential boards of trustees and access to corporations and private foundations will survive this cutback. But many smaller companies and individual choreographers won't.

This drastic and unprecedented and, I believe, ill-advised reduction in the support of the arts is unfortunately a national policy that will blunt the cutting edge of dance in America.

Last week CBS covered the launching of the first of 37 atomic submarines. One submarine was 300 feet long, which is the size of a football field. It was reported to have cost $1 million a foot.

Although I may be in over my head in this area, I would like to provide this committee with three possibilities, three of many.

One, if one of these submarines was only 295 feet long, the support for dance could remain at its present level.

My second suggestion is that if five of these submarines were reduced by one foot to 299 feet each, support for dance could remain at its present level.

My third suggestion is that if all 37 submarines were reduced by one and one-half inches to 299 feet, 10.5 inches each, support for dance could remain at its present level.

Mr. LOEFFLER. This is strictly in glee as well, but if you would join the Navy, you could dance all over the world for nothing.

Mr. FELD. I am not going to improvise at this point.

I suggest these as only three of many possibilities. I am convinced that a submarine fleet of 133,200 inches, as compared to a fleet of 133,140 inches would hardly be noticeable, since it is my experience that objects appear larger when submerged in water.

The point of all this is that what we are asking for can be measured in inches.

Thank you.

I would like to introduce Carmen deLavellade, a wonderful dancer, singer, actress, and person.

TESTIMONY OF CARMEN DELAVELLADE

Ms. DELAVELLADE. I can't follow that. That's pretty hard.

As I sat here listening to each discipline, I have been a part of each of those disciplines. I have guested with the Metropolitan

Opera, the New York City Opera, and been a member of the Yale Repertory Theater for over 13 years. I am now a member of the new Repertory Theater in Boston, the American Repertory Theater. I have been a part of the theater in Hartford, Connecticut. I have danced with every company there is to dance with, classical, American ballet, theater, city opera, and PBS.

I realize I may be one of the few who has seen the benefit and felt the benefit. I don't want to go through all my credits because they are too long.

I realized in my kitchen one day, trying to figure all this out, that we generate a lot of business. I am talking about business and industry. We are not just an amusement. Most people think of it as amusement or a pretty bauble.

But there is business in industry to take into consideration. Let me give you some figures.

There are 400 dance companies in more than 100 communities across the country. They have budgets totaling just under $90 million. In 1980, 40 million Americans paid $200 million to see a live dance performance.

It is very hard to see dance on television, by the way. You don't get the perspective or the feeling from it. It is estimated that dance companies generate $320 million per year in the form of local business volume and $105 million per year in local audience spending, exclusive of ticket prices in their home cities.

In cities through which they tour, which I am afraid a lot of dancers have as their main bread—touring—dance companies generate an excess of $125 million per year in business volume. To me that is good business.

We as artists are energy. It is like solar energy. The more that that energy puts out. We are a contained kind of energy. We have it; it is always there. It will never die out. It is one of those continual things like the sun.

As that energy gives out, it also gives on this hand jobs to people because we need certain things in order to get on the stage. It is very hard tromping around in the park.

We give jobs. These people depend on us as we depend on them in order to give ourselves to an audience. So there is a big juggling thing going on here.

The less we can put our energy out, the less these people work. There have been industries and businesses that have developed because we are here; because of our bodies or our voices or our musicianship or whatever. You know the stage designers. There is Ming Cho Lee. I have worked with him before. I have been around; I have even helped with costuming. I have had to help do my own costuming in my repertory companies. I have had to be a part of all of that underneath and doing the dirty work to. But there are people who must do that for us.

Therefore, when we are cut in half, they are in a way cut in half.

I had a rather frightening experience recently when I was visiting in Hollywood and went to see about another gig, so to speak. It was a time when the actors were on strike. I visited a 20th Century Fox agent there.

It was a sad experience because there were no cars in the streets. Nobody was in the offices; just skeleton crews. There was no activi-

ty. The Commissary had closed down. Nobody was working. It was sad; there was fright in people's eyes. The actors that I know were wandering around and not knowing what to do, where to go, and what was going to happen. Businesses closed by the tenfold. Some, I don't think, the little shops and what not, have come back yet.

So you see it is not just entertainment. It can generate.

So we are unique beings that have the capacity to generate a certain kind of energy like a fuel that can be used by other people, not only as a spiritual food but as actual food and money in the pocket.

Many times we don't get that much in our salaries.

As I sit here, I realize that I have been in the theater for 31 years. The whole of the 31 years has been spent in the non-profit theater the whole of my time.

I am not a superstar. I can't demand a great salary. My growth has been in the non-profit. Being a minority, it is very hard sometimes in the commercial field to be viable. I am sorry to say it, but it is true.

These organizations and these people and this money that the NEA has helped with these companies, every company I have worked in—has been a company helped by the NEA.

I do not have a job now. That means I have to wait for another job.

A reference was made to the Elephant God that energy pouring in and out. I had a very personal experience when I danced with the Boston Pops with Mr. Fiedler conducting. It was a piece called the Creation by James Weldon Johnson. In the mail I received a letter from a woman. Her name was Adelle Pilot. I don't know where she was from; she did not leave her address or anything. I couldn't even see where it was from because the mail was a bit damaged.

The idea of it was there was this elderly woman sitting in a room by herself. She happened to turn on a television. She happened to turn it on when I was performing. She said as she sat there watching, she became young and supple and she became me. Little did I know that I became her, which means that there is the experience in a nutshell of what the Elephant God is about—about generating energy—of giving.

Thank you.

Mr. YATES. Mr. Robbins?

Mr. ROBBINS. I would just like to augment Mr. Feld's statement that he thought that the larger companies would be able to survive if there were cuts.

Right now playing in Washington is one of the largest companies in America—the American Ballet Theater. It has just finished a 17-week tour before it goes on to New York. I was speaking with one of the directors last night who assured me that if there was a 50 percent cut, they would not be able to do their tours.

It isn't that the government pays for the whole tour or that the subsidy pays for the whole tour. But the program, which is one of the most astonishing programs of NEA, which is the dance program, has helped provide for those tours to happen.

I have danced in San Antonio and that was way back in the forties sometime when touring was possible because of the econom-

ics. We toured all over the United States. For awhile I thought we were writing Sol Hurok's name on the map.

But now that can't be done unless there is some Federal support to make this happen.

Mr. YATES. Mr. AuCoin?

Mr. AUCOIN. Thank you, Mr. Chairman.

After listening to each of the panels today, I feel moved to make an observation or two with regard to what I hope the record by now surely shows.

I am mindful of the record, as I know you are, Mr. Chairman, because it is on the strength of this record that we will have to sell the House of Representatives on whatever recommendation we arrive at. I believe that recommendation will be one that will be more generous than the budget recommendation.

I hope the record will show for anyone who takes the time to read it that if one really wants to make the arts something which is a point of pleasure for the elites, the surest way to do it is to cut back on funding for the endowment. It will make it harder to reach.

Though those cuts may make it difficult for larger companies—and I think those cuts would—I think the record we have built here clearly shows that for the smallest of the communities around the country, the smallest of the experimental projects—the ones that show and develop creativity in new generations of artists—are going to be hurt most of all.

I would hope that our colleagues will read the record closely enough to realize that we are not talking about a jobs bill here for artists. That is not what this is. We are not talking about here of the question of budgeting funds to subsidize somebody's Saturday night entertainment. What we are talking about here is providing an investment of funding for self identity on the part of persons who witness this treasure that we have and have seen displayed before this committee. We are subsidizing and providing an investment in the communication of ideas, because fundamentally these people are communicating ideas. In the last analysis, we are making an investment in human development. That is what we are talking about—not entertainment in the simplest sense of the word.

Mr. YATES. National development.

Mr. AUCOIN. Indeed.

I just hope that this record will be seen by our colleagues, because I think it has been a phenomenal one. I compliment this panel, as I do all preceding ones.

Mr. YATES. Mr. Loeffler?

Mr. LOEFFLER. Thank you, Mr. Chairman.

I have observed the testimony today with a great deal of support in what you as the finest performers in the world have brought to our nation and what you give to us now and what we will pass on together to those generations we don't know about.

I appreciate your abilities. I also appreciate your performance today, because it has been extraordinary and very well-done. You certainly put everything into your profession what your life can give. At the same time, so do I, and so does the Chairman and so does the gentleman from Oregon and so do all other Americans

who really care about doing something better for themselves and their country. You have truly exhibited that today.

But now I would like to ask a question that hasn't been asked all day. Perhaps it is unfair to just levy it to one part of our panel, but I think you can speak in behalf of everyone that you represent as a professional.

The figures we have available to the committee indicate that the NEA funds represent approximately 5 percent of the budget that it takes to operate in the performing world. How does a representative go before the full committee, before the Floor of the House, before the Senate, to the President, and to the American people and explain that if—and that's not saying it will occur—the President's proposal of reducing this amount of money by 50 percent, which just reduces 2.5 percent of your budget on an annual basis, demolishes an ability for America to experience the truest and finest cultural benefits in the world, how do you explain that?

I think it is time that one becomes an advocate for a moment, because truly you have been prepared for your presentation and your life is given to the finest performance in the world—for that of which we are all very proud.

Mr. ROBBINS. I think that in all the documentation you have, that 2.5 percent is vital and essential to all of it. All you have to do is go back to what was happening in America in the arts before that 5 percent was happening and compare those figures. You have heard it repeated time and time again by all the disciplines of the differences before the NEA and the differences after.

The 5 percent does not just represent money.

Mr. LOEFFLER. But we are seeing a reduction in 25 percent of the real dollars available for you from the Federal Government since 1975, an increase in 400 percent of the moneys available to you from the corporate sector; 100 percent increase from individuals throughout the country who are interested; and certainly from me as an individual. I have learned to appreciate it and to become involved.

Frankly, I don't have a great deal of financial resources that I can contribute money. But I would expend an enormous amount of energy to associate myself with each and every one of the aspects of your profession which have been before us today to assist you in raising money from the private sector.

I think I could do a good job. A number of us could do a good job. We could meet over the course of this country the additional requests in money that, for instance, would be taken away if the President's program is accomplished. I think it can be done.

I have been through fund raising. All of us in the political life have been. I will assure you that it is much more difficult for me to raise money for myself as a politician than it would be for me to raise money for you in the performing arts for our nation.

I in no way want to be antagonistic. I am very sympathetic to what you do. Now we are talking about the real world out there—those people who will witness this testimony on camera. Give us an answer.

Mr. FELD. I don't think there is any question that we will survive. We are survivors. If your 5 percent went away entirely, there

would be those of us who would survive. Some would go away, but some wouldn't.

I think what we are talking about clearly is that some work would cease to exist. In many other areas, we are talking about incremental cuts that would happen. For instance, I was in San Antonio last year. If there was a dance touring program cut, I wouldn't be in San Antonio and Jerry wouldn't be there now as he was in 1940 or whatever.

Mr. LOEFFLER. If San Antonio wants you, I would be there to help.

Mr. FELD. You may be in San Antonio and not somewhere else.

Mr. LOEFFLER. If you ask me, I will.

Mr. FELD. I just think that it would be incremental.

I think it has been reiterated through all of the panels where those cuts would fall.

Mr. LOEFFLER. Would you agree with me that as we look at a national problem which everyone has expressed they understand and are willing to do a fair share to reach a balanced budget, which is so essential for the curb on inflation, which affects us all, that we could do perhaps a better job in meeting the needs of the additional financial backup you need that is now provided by NEA than we could for other areas of domestic expenditures which will have to be reduced—that is, in the size of their growth. Isn't this an area where we could all work together and perhaps overcome some of the problems financially that we could not overcome in other segments of the public involvement in the domestic equation within our nation?

Mr. FELD. I don't really know that that is true. But as I am naive in matters military and submarines, I think that experience has shown to all of us who have been involved in fund-raising and the arts that just to maintain our present level of support is more than a full day's work for each and every one of us.

Mr. YATES. There is more involved in this debate than a pure diminution of funds.

I think that what is implicit in this hearing on a 50 percent reduction this year is the question of whether or not the government will continue to support the arts on any level.

I have the feeling, and perhaps it is wrong and perhaps the Administration will by statements correct it, that this is the first step toward eliminating Government support of the arts. The statements that have been made by the President and by Mr. Stockman indicate that they do not believe that this is a proper governmental function. That this is the proper function for the business community, and that to the extent the business community is willing and succeeds in accumulating the funds to carry on the arts, as has been the case throughout history, to the extent that business, if that is going to be the determining quality, continues to perform the arts to the extent that the arts need subsidization. Then they will continue to flourish as the result of what business will give.

If my interpretation of what the attitude of the Administration is, it is much more than a 50 percent cut. I don't happen to favor a 50 percent cut. I think it is too drastic.

But the fundamental question that I think we have to pass on right now is: will there continue to be Government funding of the

arts on any level. The President has said 50 percent at this point. Yet Mr. Stockman has said that this is among his lowest priorities.

The President has said that more money is raised by voluntary contribution for all the activities of arts and culture in this country than in any other country of the world, accumulatively.

I get the impression from that that the President thinks that the burden of supporting the arts can be done by the private sector.

But I think it is much more than that which is involved here. I think much more than that is the recognition of the arts as a part of our way of life in the community of the United States.

That, I think, is what is present here. I think we originally passed on that point during the early sixties when commissions went all through the country and explored whether or not there ought to be government support for the arts as a part of the American way of life.

We are being tested on that again, in my opinion. We are being tested on the question as to whether the Congress really wants to continue to support the arts.

The imprimatur that the witnesses talked about—the fact that they had NEA funding which gives them the opportunity to go out to the business community and receive additional funds—will be present, even though it may be cut 50 percent, although I have some more to comment on that a little later.

Then what will Mr. Stockman do next year—what will the Administration do next year—when Mr. Stockman says he has to find $100 million. Can the arts then escape it? No.

The fundamental question is: What is the position and place of the arts in America today?

Unfortunately, last year, you didn't have the opportunity to hear one of the witnesses who came in from Nebraska. His name was Wally Richardson. He was a lawyer. He appeared in support of the arts. He told the committee he was a Republican; that he was appearing in a non-partisan way. That's the way I want to keep it too—in a non-partisan way—because that is the way it has been kept ever since its origin. The arts have had bipartisan support from congressmen and from senators up to this point, and I hope it continues.

Mr. LOEFFLER. I think there is no question about that.

Mr. YATES. I hope you are right.

Mr. Richardson pointed something out. I said: Would you have anything besides football in Nebraska, because the Nebraska football teams have been on every television screen in the country for years. He said: We have, indeed, Mr. Chairman. We have an artistic community in Nebraska. It is famous for corn and football and so forth.

He pointed out the little town of Dunning in Nebraska of 800 people where the farmers were willing to come together and raise money and to have a stopover, I think, for the dance theater of Harlem that was coming back from the coast and coming east. They were willing to raise that money on an NEA-supported tour. They were willing to stop off there. He was able to raise that money.

In this little town of 800, they came from all around and watched this theater company perform. I don't think they will be able to

stop in Dunning if the cut goes through, but that is secondary to my mind.

If I am wrong, and I hope I am wrong, in my interpretation of what the President's statements mean and what Mr. Stockman's statements mean, that is fine. Then it is a question of finding an appropriate level of funding for the arts of this country, and they will continue to be funded.

But if, as I suspect, this is the first step for trying to allocate funding to other activities of government which are considered to be the primary, the essential, and the necessary activities of Government, then I think we have to meet it on that basis.

I sense that perhaps you join me in wanting to continue Government support for the arts.

Mr. LOEFFLER. I will not just give an outright carte blanche yes. I will say to you that, as I have indicated during the course of my exchange with our witnesses, do everything within my power to make certain that our arts are not left out.

Mr. YATES. Left out of Government funding?

Mr. LOEFFLER. Whatever sources of money are necessary so that they can perform. Today we must look at the overall aspects of reduced growth and Federal spending.

Mr. YATES. Then I suspect that my interpretation is correct.

Mr. LOEFFLER. No, let me finish.

The Chairman is a man for whom I have a great deal of respect.

I am just saying, as I was asking the question before, when we must go home and explain to our constituencies and our colleagues in the House and Senate, we have to answer some tough questions. Those questions I posed. The answers were given to the very best of their ability.

When you speak of the 50 percent proposed reduction, I would like to go back and say what would be a fair amount of reduction in the eyes of the professionals here today with respect to NEA if this program should remain status quo. Is it one that should go up; should it go down 10 or 50 percent. I think we really got the message on the 50 percent today.

Mr. YATES. Our discussion is an important one. Unfortunately, I didn't continue with Mr. Wally Richardson to say that he came to speak for NEA support because it was important for him to know that NEA's funding was present when he went to talk to his banker in one of the suburbs of his town in Nebraska.

The banker would say: Is the Federal Government supporting the arts again. And he would say yes, they are. The banker said okay, I am willing to support you.

Then when he talked to his state senator for an appropriation from the state to the arts, the state senator wanted to know whether the Federal Government was continuing to support the arts. He would say, yes, they are.

So he then came to Washington to tell us of his experiences with the banker and with the senator and to express the hope that the NEA funds wouldn't be cut to the point where he was going to be shown not to have known what he was talking about when he told them the Federal Government was going to continue to support the arts.

This is happening in Dunning, Nebraska, a town of 800 people. It is happening also all over the country.

A Sunday morning program on CBS was a program from Jackson, Mississippi. I had never been in Jackson, Mississippi. Dora Welty came on the program and talked about the place of arts in Jackson, Mississippi, and how it had transfigured and enhanced the quality of life in this little town in Mississippi.

Well, I am making the speech to the witness.

Mr. LOEFFLER. I might just conclude our exchange by saying that I am wed to the arts. There is no question about that.

Mr. YATES. I hope the arts stay wed to you.

Mr. YATES. Mr. Loeffler first and then Mr. AuCoin.

Mr. LOEFFLER. I might just conclude our exchange by saying I am wed to the arts, there is no question about it.

Mr. YATES. Well, I hope the arts stay wed to you.

Mr. LOEFFLER. I am not necessarily wed to the fact and I can be convinced. I might just say that I am not wed to the fact that the Government is necessary for the arts. If we can do it otherwise, fine, but as far as the arts, the arts have my support and they always will.

Mr. YATES. Good.

Mr. AUCOIN. Mr. Chairman, I don't want to make World War III in the colloquy between the Chairman and my friend the gentleman from Texas and myself but at the risk of prolonging this I would have to make the remark that the gentleman from Texas is right, each of us does have to go back to his or her industry to defend the kinds of spending we are willing to approve or disapprove in this session of Congress and it is time that everyone understands that we have to reduce Federal spending. That is not to be disputed at all. It seems to me, however, as we answer these questions from our constitutents if we are prepared to say no to this kind of spending after having read the record that has been repeatedly established here, if we are willing to say no to this kind of funding, then I think we also ought to be prepared to answer the questions that our constituent should pose to us as to why we are doing nothing to ending the kind of funding that goes into the celebration of life which is what we are talking about here but the brutalization of human life which you find in the form of resurge on chemical and biological weaponry today, nerve gas research, those kinds of things that I think really bring out the worst of human nature and deal with the worst of human nature. We ought to be prepared to do that. Frankly, I have the solution. I think what we ought to do is to follow the gentleman's suggestion and in turn that kind of research over to private philanthropy.

Mr. YATES. Well, time is a precious commodity here today and there are people in the audience who still are waiting to testify and we have to surrender this room in ten minutes and go to another place where all of us cannot get into the room, it is much too small, and I apologize for that. Nevertheless, I will permit you to have the final word for this panel.

Did you want to say something, Mr. Robbins? Will you yield to Miss deLavellade?

Ms. DELAVELLADE. No, I will yield to Mr. Robbins.

Mr. ROBBINS. I think the question that was raised applies to all the panels that testified here today and I really feel that there has to be a response to it from some of the other people who testified and not just from the dance people.

Mr. YATES. Let me say I am sure that some of those panelists have left and I am sure that the testimony they have given has been conditioned in measure on the amount of time that has been available to them so the committee would welcome any additions in writing that they want to make and those statements will become a part of the record. I assume that there may be some in the audience who testified before and I will ask whether they want to expand on their previous testimony.

Mr. ROBBINS. That particular question was put to us.

Mr. YATES. That is correct.

Did you want to say something?

Ms. DELAVELLADE. Well, just for a moment. I had the pleasure of working with the dance theater of Harlem and with Eliot's company teaching youngsters. I don't know if anybody has been to Arthur's school or Eliot's school. This has been the help that they have gotten from the NEA to see those young people who are off the street. We are not complaining about the young people and what to do with them, we are complaining about the crime and the writing on the walls. These young people, Arthur opened the doors and just left them opened and the youngsters wandering in the streets stopped to look in and he drew them in off the streets. most of his company. Now he has an enormous school with youngsters, babies, and so has Eliot and I have taught them and have seen the schools and I think it would be very nice maybe if someone would go and look into these schools and exactly how important it is to have a school.

Mr. YATES. The question that Mr. Loeffler is posing though, and I hesitate to put my words in his mouth, he is saying, yes, that is a necessary activity, he supports that kind of activity, he thinks it can be done through private sources as well as through Government sources if I understand his attitude.

Mr. LOEFFLER. Can it be.

Mr. YATES. That is right. That is the issue that is being drawn here today.

Ms. DELAVELLADE. Did I hear then correctly the two gentlemen in the beginning say they would have trouble funding Mr. Block, that that was their problem?

Mr. YATES. No, that is part of the record. That is the testimony. I don't know that Mr. Loeffler was here when the executive was here who said they could not make up the difference. That is one of the things we will have to consider and you are absolutely right to be calling it to our attention.

We thank the panel. We are going to excuse you.

Mr. FELD. Thank you.

Mr. YATES. I think what we ought to do now is permit the committee to have its room back. We will assemble again at a quarter after two in room B-308.

[Whereupon, the committee recessed.]

WITNESS

BILLY TAYLOR, JAZZ MUSICIAN

Mr. YATES. Again I must apologize to the witnesses. There are commitments to catch planes. One of the witnesses has to leave, his name is Billy Taylor and I promised him he could be on the two fifteen plane.

Come on over here, Mr. Taylor. Of course I should give you your proper introduction as one of the great jazz pianists in the country. I know he is good but I don't know all the others so I will just introduce him as one of the great ones.

Mr. Taylor, the court reporter is waiting breathlessly to hear what you have to say as well as the rest of us.

Mr. TAYLOR. Thank you very much.

I appreciate, as other panelists have said, the opportunity to speak with you because one of the things that concerned me all morning long is the fact that the individual was not in the equation that I was listening to. Much of what was said about the dance program could be said about the jazz program except for the fact that the jazz program is much newer and not as far down the road as the dance touring program.

These aspects of NEA's established networks have been tremendously supportive of the arts in general. As a council member one of the things that I found in traveling all around the country was that the NEA had established networks of support like the dance touring company and artists and education and so forth which were really working and anyone could pick any particular Government program and find something that is wrong with it. If you look at the record as established by those particular programs, I think that especially in the dance program that was outlined there is much to be said about how much dancers made prior to the existence of that program and what they make now.

I have been shocked to find that individual artists, dancers in this particular case, some that I worked with very recently with the Rachel Lambert Company, a couple of the dancers told me that they made less than $2500 as dancers. Well, that is shocking considering their talent and the remarkable amount of time and effort and training that they have put into their art. It is like a three-legged stool, I believe.

The money that comes from Government liberates other kinds of money. The Government support is just one of the three legs, the private sector obviously is one of the others and the possibility of money which is earned by the organization is the third. Without that Government support the other two just don't exist and the stool obviously falls down. That would be disastrous to especially emerging groups.

I speak particularly of the kind of organization that I have. I am president of Jazz Mobile in New York and we provide jobs for over a thousand people. Jazz Mobile is an organization which is a jazz organization. We started with a $10,000 grant from a beer company and began to give free summer concerts featuring the greatest jazz

76-703 0 - 81 - 10 (6b)

artists around, Duke Ellington, Count Basie, Dizzy Gillespie and many others.

Now what we were able to provide was an artistic experience unlike any that were being provided anywhere and outreach is what we are about, it is not something that we would cut out. If that is cut out, we are out of business. We are about outreach. We perform over a hundred summer concerts in a lot of different venues—city streets, parks, malls and other kinds of outdoor places. We do that in about 10 cities around the country. We do 25 or more lecture demonstrations in selected schools around the New York area and we have an Artist in the Schools Program that serves over a thousand students on a daily basis..

Now all of these programs are done with some help from the NEA and they are based on NEA concepts in terms of what the artist can do and the fact that the NEA has demonstrated that artist do this very effectively. We don't replace teachers, we don't replace anyone else, we create new jobs and we create a new consciousness for the kind of music that we are playing. We are as serious about the kind of music that we do as Maurice Abravanel and anyone else who is in another field.

Mr. YATES. I am sure you are. I should not interrupt you but I must because one of the articles that appeared in the press over the weekend in opposition to continued funding for NEA said that the only really native American music came from the jazz that was born in New Orleans and said that King Oliver was able to do it and some of his musicians and were able to do it without any help from the NEA. This gave birth to the great jazz movement in this country and they said the conclusion one should draw from that, I suppose, is if King Oliver didn't have help from the NEA then jazz reached the heights that it has since that time, why then should there be Government funding.

Mr. TAYLOR. King Oliver didn't have the help because it didn't exist, and several things are wrong with that. Number one, jazz did not originate in New Orleans, it was born all over the South. I consider it America's classical music because it takes all of the aspects of our culture and puts them into a musical perspective which is unique to our culture and though it was created by black people it does include all the races which make up the fabric of our culture.

Now the one thing about jazz is that it is taught in Budapest, it is taught in Germany, many of the places we talked about earlier and other things. We don't teach it to the same extent in many of our schools here. I was about to say something about Mr. Abravanel who I have great respect for because of what he did with the symphony orchestra and who commissioned me for the first large work that I had ever done to perform with the Utah Symphony so I played a jazz work on the same program with Marlene Barta. It is this kind of possibility that happens because of the NEA. He never would have heard of me had I not been a council member at the same time that he happened to be one so it was fortunate for me though quite accidental.

The idea of doing this kind of thing is what Jazz Mobile does on a regular basis and for which we get considerable support from the NEA, we and many other groups like ours. We have been con-

cerned. I made a reverend and passioned plea to the NEA about the support of jazz as a part of their normal support. Jazz has come very lately into the funding pattern so when you cut the entire NEA funding, if you cut it, then we would be one of the first people to suffer and suffer severely even though we are a native American art form because the funding patterns are already established for symphony orchestras, already established for opera and for others to a greater extent than they are to jazz.

Mr. YATES. What about the question of private support in the event Government support was not present?

Mr. TAYLOR. It is much more difficult for a jazz musician to go to a cigarette company or go to a beer company or go to any particular place though they do support us to a great extent to the best of their ability; everyone is going to them. I don't have to tell anyone in political life about the realities of fund raising. If you go in with strength, then you certainly come by with bigger bucks than if you do not. Jazz does not have that kind of strength in comparison to a symphony orchestra or to better established organizations.

Jazz Mobile is probably the best known and the largest organization of its kind. We were one of 15 organizations in the country to receive a challenged grant, an institutional grant, from the expansion arts program and we are very proud of it because what that did for the first time in our 17 year existence—we are older than the NEA—we were able to go to people and say, look, we have this potential of a 3 to 1 match and really come up with the kind of money that we could never raise in the past. So having started at a budget of $10,000 a year and here 17 years later we are budgeted at $1.2 million, that is a lot of growth for us but we really feel that we are just on the threshold of doing what we possibly can. We desperately need the help of the NEA because of the kinds of jobs that we create.

I really would like to deviate for one moment. I was speaking with Mr. Loeffler about what happens at a concert. Saturday night I played the piece that Mr. Abravanel commissioned with the Kansas City Philharmonic. Now that event was advertised in the newspapers, radio, television. Somebody spent money for that so that is money that went into taxes. Now handbills, placards, printed programs, I had to get there with my trio so I had to buy airplane tickets, skycaps were tipped, lots of money changed hands. We ate out. Then there were the stage hands, the ushers, the light and sound people. The piano was rented, it was tuned. The orchestra, 100 people were hired for that particular engagement which they had been on strike and they probably would not have done that had I not been available to play that particular concert. There was music which was arranged for that particular occasion and the audience that came to it spent a night out which meant that they went to a restaurant possibly, they had a baby sitter, they parked the car. So all of this money exchange took place because that one concert took place, and that is only one of thousands that take place all over the country.

Mr. YATES. How was the music?

Mr. TAYLOR. Pretty good. It is a good orchestra. I have been there and it is a good orchestra. We played with the San Antonio Sym-

phony about two years ago. I was not too thrilled with the place where we played but the orchestra was great.

The idea of this kind of support though as it relates to jazz, not just to our organization but what it does for an individual artist, is one of the points that I am trying to make. The individual does not have an opportunity to go to the sources that the organization has to go to. The NEA has made it possible through many of its programs for individuals to be serviced so that there are possibilities for an individual to get a composer's grant or to get some kind of grant that would help him or her further develop. What is important is not that the person necsssarily picks up a pen and writes something but that person eats and that person does not have to worry about the ordinary, mundane aspects of living, so that that person can create the kinds of things that we want to share with the world.

I have been extremely fortunate in all the years that I have been a professional, 35 years, like King Oliver I had gotten a grant and I have done all kinds of work mostly in my own field. Much of what I have done is in the commercial sector and so I must tell you that the commercial sector will not—and I repeat, it will not—pick up the kind of activity that many of the people that are speaking to you today are involved in because it does not suit their purposes. Much of it may be considered controversial, it may be considered even though it may not be, it is too much of a chance for the commercial attitude.

Just take recordings, if you will. Recordings, there is a backlog of recordings that sell only in Europe and Japan especially in jazz because they sell for enormous amounts of money, they are not even available in this country. If the jazz musicians who depend on recordings to get their music around and in the consciousness of people depended on the music business, we would all starve. If we don't go to Europe and play the festivals, if we don't play the few festivals that exist in this country, we don't perform live for the American audiences. The festivals that do exist, most of them exist because of the possibility of getting grants from the NEA.

I have covered much more territory than I intended to but I appreciate your listening.

Mr. YATES. Thank you for some very good testimony.

Mr. Loeffler. Do you have any questions?

Mr. LOEFFLER. No questions, Mr. Chairman.

Mr. YATES. Thanks, Billy. I appreciate it.

BUSINESS/FOUNDATION

WITNESS

LOU HARRIS, PRESIDENT, LOU HARRIS AND ASSOCIATES

Mr. YATES. Lou Harris is sitting in the witness chair and he has to catch a plane

Mr. Harris, how do you propose to tell the committee how it should act?

Mr. HARRIS. Mr. Chairman, I have a prepared statement which I believe has been given to the committee.

Mr. YATES. Your statement will be made part of the record.

[The statement follows:]

TESTIMONY OF LOUIS HARRIS

CHAIRMAN

AMERICAN COUNCIL FOR THE ARTS

BEFORE SUBCOMMITTEE ON INTERIOR APPROPRIATIONS

WASHINGTON, D.C.

MR. CHAIRMAN, MY NAME IS LOUIS HARRIS AND I AM HERE TODAY IN MY CAPACITY AS NATIONAL CHAIRMAN OF THE AMERICAN COUNCIL FOR THE ARTS, A MAJOR PRIVATE SECTOR ORGANIZATION WHICH BOTH PROVIDES SERVICE TO ARTS ORGANIZATIONS AND INSTITUTIONS, AS WELL AS ADVOCATING POSITIONS ON PUBLIC ISSUES AS THEY AFFECT THE NON-PROFIT WORLD OF THE ARTS.

I COME BEFORE YOU TODAY DIRECTLY IN RESPONSE TO THE CALL BY PRESIDENT REAGAN IN HIS ECONOMIC MESSAGE BEFORE THE CONGRESS FOR CUTTING FEDERAL FUNDING OF THE NON-PROFIT ARTS BY THE FEDERAL GOVERNMENT FROM THE $173 MILLION LEVEL IN THE CARTER BUDGET TO ROUGHLY 50% OF THAT AMOUNT, DOWN TO $88 MILLION FOR FISCAL YEAR 1982.

MR. CHAIRMAN, LET ME SAY AT THE OUTSET THAT I HAVE SEEN THE CONGRESS GRADUALLY AND STEADILY SUPPORT THE ARTS OVER THE PAST DECADE. I RECALL WELL THAT THE NATIONAL ENDOWMENT FOR THE ARTS BECAN UNDER MODEST CIRCUMSTANCES, INDEED. UNDER PRESIDENT JOHNSON, A DEMOCRAT, IT WAS NO MORE THAN A $7.5 MILLION AUTHORIZATION. THE ENDOWMENT SUPPORT GREW MOST DRAMATICALLY NOT UNDER DEMOCRATIC, BUT INSTEAD REPUBLICAN PRESIDENTS, WITH PRESIDENT NIXON INITIATING THE MOST DRAMATIC RISES IN BACKING. THIS WAS IN NO SMALL PART DUE TO THE YEOMAN EFFORTS OF THE THEN CHAIRMAN OF THE ENDOWMENT, NANCY HANKS, WHO GOT ME PERSONALLY INVOLVED IN THIS EFFORT IN THE FIRST PLACE, AND WHO IS ONE OF MY PREDECESSORS AS CHAIRMAN OF THE ACA.

DESPITE THESE RISES IN FEDERAL FUNDING OF THE ARTS, AND CONTRARY TO THE VIEW

THAT THIS COUNTRY HAS BEEN GENEROUS IN ITS BACKING FOR THE ARTS, THE UNITED STATES, BY ANY COMPARISON WITH OTHER NATIONS, HAS BEEN PLAYING CATCH-UP IN THIS MATTER OF HELPING THE NON-PROFIT ARTS. LET ME GIVE YOU SOME COMPARISONS FROM THE LATEST DATA AVAILABLE. IN AMERICA, WE ARE APPROPRIATING ALL OF 74 CENTS PER CAPITA AT THE FEDERAL LEVEL FOR THE NATIONAL ENDOWMENT FOR THE ARTS.

THIS COMPARES WITH $2.15 FOR AUSTRALIA, $3.60 IN GREAT BRITAIN, $6.07 IN CANADA, $11.88 IN FRANCE, AND $28.23 IN DENMARK. BY ANY STANDARD, FEDERAL SUPPORT FOR THE ARTS HERE IN THIS COUNTRY IS MEAGER, INDEED. AND, NOW, WE ARE BEING ASKED TO CUT IT BACK TO 41 CENTS PER CAPITA.

WE IN THE ACA DEEPLY BELIEVE THAT SUCH A CUT-BACK IS NOT ONLY WRONG, BUT IT IS NOT A REFLECTION OF WHAT OUR PEOPLE WANT NOR WHAT IS WISE FOR THE PSYCHOLOGICAL AND SPIRITUAL WELL-BEING OF OUR PEOPLE. YET, LET ME POINT OUT THAT WE IN THE ARTS DO NOT COME BEFORE YOU AS DESTITUTE PAUPERS, AS VERITABLE ALMS BEGGARS PLEADING FOR A PITTANCE. WE COME BEFORE YOU BECAUSE WE ARE CONVINCED, AND THE EVIDENCE BACKS THIS CONTENTION UP, THAT WITH THE HELP OF THE FEDERAL ESTABLISHMENT, AS WELL AS THE PRIVATE SECTOR, THE ARTS HAVE EARNED GREATER SUPPORT FROM THE PEOPLE OF THIS COUNTRY.

IF I MIGHT PUT ON MY PROFESSIONAL CAP FOR A MOMENT, I WOULD LIKE TO LAY OUT FOR YOU SOME HIGHLY SIGNIFICANT FACTS FROM A SURVEY OF A CROSS-SECTION OF THE AMERICAN PEOPLE TAKEN LAST JULY. FIRST, WE FOUND THAT UNDER THE PRESS OF INFLATION, THE NUMBER OF WORK HOURS HAD RISEN FROM 40.6 PER WEEK TO 46.9 HOURS, AND TIME FOR LEISURE PUSUITS HAD SHRUNK FROM 26 TO 19 HOURS PER WEEK FOR THE AVERAGE ADULT IN THE U.S. PUT BLUNTLY, THIS MEANT THAT FOR THE ARTS AND OTHER LEISURE-TIME ACTIVITIES, COMPETITION WAS BECOMING MORE ACUTE. PEOPLE HAD LESS TIME AND MONEY TO SPEND.

-- DESPITE THIS TIME CRUNCH, ATTENDANCE AT ARTS PRESENTATION HAS GONE UP

SINCE 1975 -- ACROSS THE BOARD. MORE PEOPLE ARE NOW ATTENDING LIVE THEATRE PERFORMANCE, POPULAR MUSIC, LIVE CLASSICAL MUSIC, OPERA OR MUSICAL THEATRE, DANCE, AND ARTS MUSEUMS THAN EVER BEFORE. THESE RESULTS ARE EVEN MORE SIGNIFICANT WHEN IT IS REALIZED THAT PEOPLE ALSO REPORTED A FALL-OFF IN SPORTS VIEWING AND ATTENDANCE, AND IN DOING THINGS AROUND THE HOUSE, SUCH AS GARDENING, FOR INSTANCE.

EVEN MORE DRAMATIC IS THE PERSONAL PARTICIPATION OF PEOPLE IN THE ARTS, IN EVERY PART OF THE COUNTRY. THE NUMBER NATIONWIDE WHO ARE INVOLVED IN PHOTOGRAPHY AS A FORM OF ARTISTIC EXPRESSION -- UP FROM 19 TO 44% IN JUST 5 YEARS. THE NUMBER WHO PLAY A MUSICAL INSTRUMENT -- UP FROM 18 TO 30%. THE NUMBER WHO WRITE CREATIVELY -- UP FROM 13 TO 22%. THE NUMBER WHO DANCE EITHER MODERN DANCE OR BALLET -- UP FROM 9 TO 20% IN FIVE YEARS. THE NUMBER IN A CHOIR OR CHORAL GROUP -- UP FROM 11 TO 21%. RISES ARE ALSO EVIDENT IN THE NUMBER WHO SCULPT OR MAKE POTTERY, THE NUMBER OF WHO PAINT, DRAW, DO NEEDLE WORK, OR WORK WITH LOCAL THEATRE GROUPS.

TAKEN TOGETHER, THESE FINDINGS SHOW THAT THERE HAS BEEN A VERITABLE EXPLOSION OF PARTICIPATION IN THE ARTS BY THE AMERICAN PEOPLE. THE SINGULAR MARK OF THE PATTERNS THAT EMERGE IS THAT AT ALL LEVELS, IN ALL AREAS, THE MOVEMENT OF INVOLVEMENT HAS BEEN UP. IN THIS PERIOD OF SERIOUS ECONOMIC TROUBLES, IT IS SIGNIFICANT THAT LITERALLY MILLIONS OF PEOPLE ACROSS THE COUNTRY HAVE TAKEN TO CREATIVE EXPRESSION IN A VARIETY OF ARTS ACTIVITIES. THE URGE TO PARTAKE OF THE ARTS PERSONALLY RUNS DEEP AND IS EXPANDING RAPIDLY. YET, AT THE SAME TIME, FULLY 33% OF OUR PEOPLE WHO WANT TO GO TO THE THEATRE HAVE NO FACILITIES AROUND WHERE THEY LIVE, 30% HAVE NO CENTER AVAILABLE WHERE THEY CAN LEARN ARTS AND CRAFTS, 46% HAVE NO CONCERT HALL, AND 41% HAVE NO ACCESSIBLE ART MUSEUM.

SPECIFICALLY, PEOPLE WANT MORE CHILDREN'S THEATRES, OUTDOOR ARTS FESTIVALS, MORE EXHIBITIONS OF PAINTING OR SCULPTURE, MORE PLAYS, MUSICALS, PANTOMINES, AND OTHER ADULT THEATRE PERFORMANCES, MORE CLASSICAL MUSIC CONCERTS OR RECITALS, MORE FOLK OR ETHNIC DANCE PERFORMANCES, MORE BALLET, AND MODERN DANCE PERFORMANCES.

MR. CHAIRMAN, THE LIVES OF MANY AMERICANS THESE DAYS ARE TOUGH. THEY LIVE IN DEEP WORRY ABOUT MAKING ENDS MEET, OF HOW THEY WILL NEXT BE CHEATED OR HAVE THEIR POCKET PICKED BY THE RAVAGES OF INFLATION, ALONG WITH THE INSECURITY OF A HIGH LEVEL OF UNEMPLOYMENT. PEOPLE ARE HIGHLY ARTICULATE ABOUT THE ARTS AND WHAT THEY MEAN TO THEM. BY 70-25%, A MAJORITY FEEL THAT "THE ARTS ALLOW YOU TO FIND A SOURCE OF CREATIVE EXPRESSION AND EXPERIENCE IN A TROUBLED WORLD." BY 75-22% THAT THE ARTS "GIVE YOU AN UPLIFT FROM EVERYDAY EXPERIENCES." BY AN EVEN HIGHER 80-16% THAT THE ARTS "JUST GIVE YOU PURE PLEASURE TO EXPERIENCE OR PARTICIPATE IN."

I WOULD MAKE THE CLAIM THAT THE ARTS ARE FAST BECOMING AN ESSENTIAL INGREDIENT IN THE DAILY LIVES OF OUR PEOPLE, AS THAT PRECIOUS RESPITE FROM THE WORRIES AND THE DRAINS OF EVERYDAY EXISTENCE. THEY HELP ENORMOUSLY TO ENHANCE THE QUALITY OF THE HUMAN EXPERIENCE IN A WELL NIGH INDISPENSABLE WAY.

AND, THEY FAVOR FEDERAL BACKING OF THE ARTS WITH MONEY. BY 59-39%, A SOLID MAJORITY ARE WILLING TO PAY $15 MORE IN TAXES, IF NEED BE, TO ASSIST THE ARTS FINANCIALLY. THAT IS 20 TIMES THE AMOUNT NOW FUNDED BY THE FEDERAL GOVERNMENT. BY 59-39%, A SOLID MAJORITY ALSO FAVOR A PLAN UNDER WHICH FOR EVERY $3 AN ARTS ORGANIZATION GLEANS FROM THE PRIVATE SECTOR, THERE OUGHT TO BE $1 OF MATCHING GOVERNMENT MONIES. PEOPLE SEE THE TWO AS GOING HAND-IN-HAND. THE FEDERAL GOVERNMENT TO PROVIDE SEED MONEY, WHILE THE PRIVATE SECTOR TO BE THE MAIN BULWARK OF FINANCIAL ASSISTANCE.

LEST THERE BE ANY MISUNDERSTANDING ABOUT JUST HOW GENEROUS OR SUPPORTIVE THE PRIVATE AND PUBLIC SECTOR HAVE BEEN TO THE ARTS, LET ME CITE SOME FACTS, AS OF 1978, WHICH IS THE LATEST INFORMATION THAT EXISTS. FOR ALL OF THE PERFORMING ARTS, 60% OF THEIR REVENUES ARE DERIVED FROM EARNED INCOME, 26% FROM THE PRIVATE SECTOR AND 14% FROM GOVERNMENT FUNDING. IN THE CASE OF ART MUSEUMS, 47% IS DERIVED FROM

EARNED INCOME, 24% FROM THE PRIVATE SECTOR, AND 29% FROM GOVERNMENT. I MIGHT ADD THAT A MAJORITY OF THE GOVERNMENTAL FINANCIAL SUPPORT IS GENERATED FAR MORE FROM STATE AND LOCAL GOVERNMENT THAN AT THE FEDERAL LEVEL.

WHAT, THEN, IS THE PROPER ROLE OF THE FEDERAL FUNDING OF THE ARTS? BASICALLY, IT IS MONIES WHICH HELP OUR INSTITUTIONS IN THE ARTS UNDERTAKE NEW AND EXCITING PROGRAMS TO MEET NEEDS ON A BROADER BASIS. THE BELL SYSTEM, FOR EXAMPLE, HAS UNDERTAKEN A PROGRAM UNDER WHICH LEADING SYMPHONY ORCHESTRAS ARE FUNDED BUT ONLY IF THEY SCHEDULE CONCERTS IN COMMUNITIES WHICH HAVE NEVER HAD A LIVE ORCHESTRA THERE BEFORE. THIS IDEA STEMMED DIRECTLY OUT OF THE ACTIVITIES OF BOTH THE ACA IN THE PRIVATE SECTOR AND THE ENDOWMENT IN THE PUBLIC SECTOR. BUT THE BASIC BILL IS BEING PAID BY THE PRIVATE SECTOR. THERE WOULD NOT BE THE DANCE IN AMERICA ON ITS CURRENT SCALE, IF IT HAD NOT BEEN FOR THE EXISTENCE OF FEDERAL SEED MONEY TO BRING IT TO MORE AND MORE COMMUNITIES ON A PROFESSIONAL BASIS. MUCH THE SAME COULD BE SAID FOR MANY OTHER DISCIPLINES IN THE ARTS. THE FEDERAL GOVERNMENT CAN ENCOURAGE AND CAN FUND THROUGH THE SEED MONEY APPROACH TO EXPANSION OF THE ARTS IN COUNTLESS COMMUNITIES ACROSS THE COUNTRY. THE NUMBER OF COMMUNITY ARTS COUNCILS HAS GROWN FROM CLOSE TO ZERO 15 YEARS AGO TO OVER 1800 TODAY. THESE DO NOT HAVE BIG BUDGETS, THE PROFESSIONALS IN THEM WORK FOR ROUGHLY HALF WHAT THEIR COUNTERPARTS ARE PAID IN UNIVERSITIES, WHICH IS ABOUT HALF IN TURN OF WHAT CORPORATE AMERICA PAYS COMPARABLE PEOPLE. THEY GROW OUT OF THEIR COMMUNITIES, THEY ARE TOTALLY GRASS ROOTS AND INDIGENOUS. THIS IS REAL AND ITS GROWTH HAS BEEN EXPLOSIVE. SHALL WE NOW TELL THEM THAT THEY ARE ENGAGED IN A FRUITLESS ENDEAVOR, THAT THERE NO LONGER WILL BE A PARTNERSHIP BETWEEN THE PUBLIC AND PRIVATE SECTOR TO ALLOW PEOPLE TO PARTICIPATE IN AND TO ENJOY THE ARTS IN THIS COUNTRY?

MR. CHAIRMAN, YOU COULD ELIMINATE ALL FEDERAL FUNDING OF THE ARTS FROM THE NATIONAL ENDOWMENT, AND IF YOU DO, THEN AN UNFORTUNATELY LARGE PART OF THE AMERICAN SCENE WILL GO GRAY, COLORLESS. AND, MARK IT WELL, YOU HAVE MADE NO DENT

AT ALL IN CUTTING BACK FEDERAL SPENDING. THE ARTS MUST SURELY REPRESENT THE LEAST AMOUNT OF FEDERAL OUTLAY FOR AN AREA WHICH IS REACHING MORE PEOPLE ACROSS THE COUNTRY IN A HIGHLY POSITIVE WAY. THE ARTS DON'T NEED MUCH MONEY. THE NATIONAL ENDOWMENT FOR THE ARTS CONTRIBUTES UNDER 2% OF THE TOTAL NATIONAL ARTS BUDGET. THEY HAVE NEVER ASKED FOR MUCH.

BUT TO KEEP THE CURRENT LEVEL OF $159 MILLION FOR THE NATIONAL ENDOWMENT FOR THE ARTS OR TO KEEP THE RECOMMENDED $173 MILLION IN THE FACE OF WHAT IS AN AVERAGE INCREASE OF 30% EXPANSION THAT IS TAKING PLACE IN THE ARTS IN THIS COUNTRY EVERY YEAR, SURELY IS NOT BEING PROFLIGATE. INDEED, FOR A BURGEONING AREA SUCH AS THE ARTS, SIMPLY TO STAND STILL IN FEDERAL MONETARY ASSISTANCE IS THE EQUIVALENT OF ASKING FOR MUCH PAIN AND FURTHER SACRIFICE FROM THOSE INVOLVED IN THE PROFESSIONAL, NON-PROFIT ARTS IN THIS COUNTRY. TO CUT THAT BUDGET IN HALF WILL SEND FORTH A SIGNAL THAT NOW THIS GOVERNMENT IS SAYING LOUD AND CLEAR THAT THE BEST BUY EVER MADE WITH TAXPAYER MONEY, THE SMALL BUT MEMORABLE PLEASURES OF PARTAKING OF A POSITIVE AND EMOTIONAL EXPERIENCE IN ONE'S LIFE, IS NOW TO BE SNUFFED OUT. WE TALK ABOUT THE GREAT BENEFITS OF BEING A FREE PEOPLE AND THE TIGHT BONDS THAT ARE KEPT OVER PEOPLE IN COMMUNIST COUNTRIES. IN THEIR WAY, AND IT IS NOT AN INCONSIDERABLE CONTRIBUTION IN THE AGGREGATE, THE ARTS HAVE COME TO STAND FOR THIS FREEDOM OF EXPRESSION, A BURST OF CREATIVE EXPERIENCE THAT MAKE MUCH OF THE REST ENDURABLE. SO WE ASK YOU TO RESTORE THESE PROPOSED CUTS IN AUTHORIZATION - NOT IN THE NAME OF SAVING STARVING ARTISTS, BUT AS A STATEMENT OF TANGIBLE ENCOURAGEMENT FOR A JOB WELL DONE, AND ONE THAT IS AT BEST ONLY HALF FINISHED. OUR PEOPLE DESERVE NO LESS.

Mr. HARRIS. I would like to say a few things if I might.

First, let me say, Mr. Chairman, as you know, generating accurate facts happens to be my professional business.

Mr. YATES. Politicians are very much aware of that.

Mr. HARRIS. I was enlisted on behalf of the arts quite a long time ago by one of the former heads of the National Endowment, Miss Nancy Hanks, who hoped that one day I might be able to bring some of the discipline of fact rather than fancy to the realm of the arts. I can't claim that I have done that but I must say that we have come up with some rather interesting numbers and I think a few of those I would like to reiterate and state pretty bluntly here today.

First, I think the way this whole proposed cut in the budget for the arts has emerged, there is an impression that somehow the arts have begun to be taken over in this country by Federal funding especially through the National Endowment for the Arts.

Let me say in a data banking study which we finished in 1979 and ends as of the records, we went in with Peat, Marwick & Mitchel and examined the books of a large cross section of institutions. I believe the whole study cost about $600,000 to do because we went in with a professional accounting firm to examine the books and cross section big and large of the institutions and the arts and we found out definitively I think for the first time, I am sorry to say probably the only time, in fact a lot of the arts organizations—I will say this bluntly—we had to audit their books for them, the smaller ones particularly, but at the end of the day what we found was this: that in the case of the performing arts 60 percent of their revenues are derived from earned income, 26 percent from the private sector and that includes, I might say, in this descending order, individuals are the largest contributors, foundations are the next largest and the smallest, believe it or not, are corporations.

Mr. LOEFFLER. Run through those figures again, please.

Mr. HARRIS. Sir?

Mr. YATES. Would you repeat them?

Mr. HARRIS. Yes. Sixty percent of all performing arts institutions have their income derived from earned income, 26 percent from the private sector and 14 percent from the Government sector.

Now what this means, and let me say, Mr. Chairman, I made most of my living working for large corporations——

Mr. YATES. May I interrupt again. I think you left out the distribution of income from corporations and individuals.

Mr. HARRIS. The largest are individual contributions, second are foundations and third are corporations.

Mr. YATES. What percentages did you say?

Mr. HARRIS. I don't have these here and I don't want to do it from memory.

Mr. YATES. Put it in the record.

[COMMITTEE NOTE.—The information was not provided.]

Mr. HARRIS. I can tell you what is the case. I make my living by doing work for large corporations and I want to tell you, Mr. Chairman, I have gone to many gatherings of business people and said to them, now you think that people in the arts are ne'er-do-well, people in the arts don't know anything about how to earn a

living, they always seem to be alms beggars and have been pensioners seeking somehow help. The fact of the matter is, and this I can document and I would like to reiterate it here today, is that the arts themselves, the people managing the arts themselves, are obtaining from earned income today 12 times the amount of money coming from corporations so it is the corporations that have to do catch-up in the arts. The arts people are doing rather nobly to be obtaining the amount of earned income that they have been able to do.

Second, one of the ways in which the arts have been able to do this, and we did this in this study as well, is to take it out of the hide not only of the artist but most particularly the most unsung heroes are those who are the administrators of arts organizations and those who are the artistic directors of arts organizations. They earn $13,250 and $13,250 is the median income that they have. When you take their educational background, the masters degrees, the Ph. D.s and the training they have had for their jobs, and you compare it with another very underpaid part of the spectrum, the economy, college professors, you find that the average college professor with exactly the same qualifications makes exactly more than double, $27,000 income a year. If you just take the gap between the $13,250 that is the average income for administrative and arts directors in arts institutions and the $27,000 the comparable professor or associate professor or assistant professor is receiving, you know that the contribution out of the hide of the people running the arts organization is $60 million.

I would suggest, Mr. Chairman, that the people in the arts have been making the sacrifice that has now been called for belatedly by the President of the United States. They have been making it day in and day out, hour in and hour out, month in and month out, year in and year out for a long, long time and it is about time that the rest of the country realized what these people are doing in order to bring what 72 percent say is something they can't live without in the miserable gray existence that people go through in their lives today beset by inflation, beset by difficulties of making ends meet. The arts are a precious moment of fulfillment for them whether they are viewing it or participating in it and I say to you it is about time that the rest of the establishment did something to match what people in the arts have been doing.

Having said that, let me say there has been a veritable explosion, and it is the only word to use, and this is as of this year, in participation in the arts. We would estimate the arts in this country are growing at the rate of 30 percent a year. I am a sports buff, Mr. Chairman, and I have done work for the National Football League, the National Basketball Association as well as in the arts. Sports attendance is down, sports viewing on television is down, gardening is down, the number of leisure hours people have are down from five years ago from 26 to 19 hours a week. Why? Because the number of hours worked has gone up from 40 to 46 hours a week. People have to moonlight to make ends meet, that is how rotten times are, and yet the arts have gone up. Let me tick off a few.

Mr. YATES. Do you mean audiences have——

Mr. HARRIS. These are participation.

Mr. YATES. I see.

Mr. HARRIS. The number involved in photography is up from 19 to 44 percent in five years. The number of people who play a musical instrument is up from 18 to 30 percent in the same period. The number who write creatively is up from 13 to 22 percent. The number who dance either modern dance or ballet is up from 9 to 20 percent. The number in a choir or choral group is up from 11 to 21 percent. Right across the board—sculpting, painting, drawing, needlework, the local theater groups exploding all over this country and that in turn creates audience demand for the arts because when people are involved in this they want to see what the top professionals look like and what they are and they become more appreciative.

The final point I want to make, if I might, Mr. Chairman, is simply this. To tie it to this proposed cut it would seem to me to keep the present funding levels, authorization levels, $159 million if that is done, instead of the precipitious cut in half, that in itself would be a double cut for the arts because it means that the seed money—and that is all the National Endowment does, the National Endowment of the Arts is only two percent of the total GNP of the arts in this country, it is incredibly small and yet that seed money that business that I know so well in the private sector will not follow unless that is out there.

Let me put it this way. All the Natonal Endowment is is this. It is initial survival money to groups that crop out at every local level everywhere it seems. The number of local community arts councils has gone from zero to over 1800 just in the last six years alone in this country and these people are real and they are putting on things. So it is seed money needed to do two things and that is all it does. One is to encourage those people not to forget it and the second is to give them a short survival time period until indeed they can establish their own sources of funding locally and through private sources.

Without the dignity of this Government saying, we recognize the explosion taking place in the arts—without that dignification which comes not alone from the Government but it is important you boil down people like my friend Frank Saunders and Philip Morris who is sitting right next to me who tell me the role that the National Endowments played in getting them to put up substantial amounts of money, the business people say, look, we need the Federal Government in it partly as saying it is important and partly they have the facilities to go out and support these efforts that otherwise would just go right down the drain. I say this is a turning point, Mr. Chairman, and if we don't recognize that and do something about it by not turning back the clock, I think we have an enormous, enormous taking away of the basic quality of existence in this country.

Mr. YATES. What about what the President said? He said that private contributions total more than the sum made available for all these cultural institutions in all the other countries of the world, and as your figures themselves pointed out private giving is very high. If this is true, why then is NEA needed? Corporations which are now at the bottom of the totem pole according to what you say, why do you need NEA?

Mr. HARRIS. Mr. Chairman, let me say that the President last Saturday night—well, maybe I ought to preface what I am about to say by saying that I was very proud to have been maybe the only poll that predicted Mr. Reagan's victory last November. I reported, as I will, that 80 to 15 percent the public likes the idea of cutting the Federal budget and I could tick that all off from my current work. I don't come here with biased prejudices whatsoever yet it seemed to me, if I might, and I was not there, I think you might have been last Saturday night at Ford's theater, there the President of the United States got up and he invited 100 chief executive officers and corporations as listed in the newspaper from Alcoa to Xerox, Alfadased, and by golly before that night was out they had put up $500,000 to help save Ford's theater. The President obviously had urged them to do it.

I want to say I think that performance of Mr. Reagan's is totally perfect, I could not invent a better example of how needed the Federal presence is in the arts.

Mr. YATES. Are you saying that if Ronald Reagan were not the President but merely Ronald Reagan the actor that they would not have done that?

Mr. HARRIS. Mr. Chairman, these are people I know, I probably know half of those chief executive officers, and I may lose them as clients after today. Actually they tell me all the time they don't know why they pay me so much money to bring them such bad news but that is my way and they better not ignore it.

My guess is that, yes, if the "presidential arm" were not there, I rather doubt that they would all come running to the rescue of the Ford's theater. Let me go a little further on answering that. The fact of the matter is that what President Reagan is doing was giving of his good time to help stimulate the private sector. What that is worth in a lot of businesses, including mine, time is worth money so it does a precious appropriation of the moneys of the Federal Government as the President is now on our payroll is not just a symbol but the operating head of government, and I would say this.

My conclusion is not only does this prove the need for the Federal presence but that if President Reagan would vow to go to work seven days a week for the National Endowment of the Arts, Mr. Chairman, I would come before your committee and say the National Endowment does not need to be funded at all because he would be able to raise all the money. I would worry about the defense of the country and the security of the country and the economy of the country if he did that but I use that as an illustration.

Mr. YATES. Is there another illustration? As I understand, President and Mrs. Reagan wanted to redecorate the White House but they did not want the Federal Government to put the funds up for it so she asked some friends to do it and she or he said $50,000 was needed. The call went out and they raised $700,000 for that purpose. Does this re-emphasize the point you are making?

Mr. HARRIS. Mr. Chairman, I don't know about these matters, I only read about them but I would say as I undersand it the Federal Government is willing to allow $100,000 for redecorating the White House and Mrs. Reagan said she needed about $250,000 so the

Federal moneys were not enough and she said she didn't want to strain that, she would rather get it all from the private sector. Again the President or the First Lady are in a unique position to elicit support for things like this.

Mr. YATES. We have had the hearings going on in the last hearing room and my good friend Mr. Loeffler, and he is my good friend, said that even if there were not Government support for the arts if one of those dance companies came to San Antonio he would go down there and help raise the money for them.

Mr. LOEFFLER. Mr. Harris, you mentioned something that I absolutely agree with and that is the reason we are holding this hearing today and that is the reason people are here and concerned about the various impact; it is a rotten economy. Where would you suggest that we get the reduction in the growth of Federal spending in the event that we would hold the status quo which you believe is the very minimum? From what other segment can we get it?

Mr. HARRIS. I can do better than that. I can go down and tell you exactly what people want to cut. Do you want me to do that?

Mr. LOEFFLER. Yes, that is why we are here. That is what we are ultimately going to have to make a decision on.

Mr. HARRIS. I just happen to have it with me.

Mr. LOEFFLER. Did Philip Morris pay for that?

Mr. HARRIS. No, sir.

Mr. SAUNDERS. Not what he is about to bring out. The yachts we helped to pay for.

Mr. HARRIS. Here it is right here. You can tell immediately that on the major items—let me say 80 to 15 percent of the people liked the idea of cutting the budget $41.4 billion but also a bigger majority, 92 to 7, liked better the President saying that he would not cut Social Security, Medicare, veterans benefits, aid to the handicapped and the Headstart program—the sacred sisters as they are called now—but then Federal welfare spending, people want to cut half a billion, 74 percent; the Food Stamp program by $1.8 billion, 67 percent; the synthetic fuels program $3.2 billion, 61 percent; cut the Export-Import Bank by one-third which I gather won't be done, 58 to 32 percent; cut unemployment compensation $1.2 billion by shortening the time people can receive such benefits, 59 to 38 percent.

The last two are very interesting. Cut Federal aid to primary and secondary education by $1.25 billion, no way 54 to 42 percent; cut Medicaid by a billion, no way 60 to 38.

This is a partial list and before the President's speech we did a whole other thing. In fact, people are also opposed to increasing revenue sharing which is fascinating. What they think is that local people ought to govern them more than you do down in Washington but when it comes to giving money in block grants to a locality or a State, even if it is their own locality or State, they say no, we are afraid a lot that money will never get out of our politicians locally, they have discretion over it.

Mr. LOEFFLER. It is a vicious circle, isn't it?

Mr. HARRIS. So revenue sharing is not very popular, either, nor, I might say, several others. Highway funds, people want to chop that. It is not an ideological thing and there are a lot of oxes that

are being gored but I will say the arts is not among them and the reason the arts is one of the exceptions we found, interestingly enough, that people were willing to let me say this because one columnist scurried me on this count, Mr. Chairman. He said that I got results I wanted to get on the arts. That is not true. Back in 1975 we asked people, would you be willing to pay $25 or more in taxes, and 53 to 41 percent of the majority said no, and that was reported I might say. We didn't hide that fact. All the facts are either all public with me or not at all. You know what that is today? Fifty-one to 45 favor it.

Take $15 or more, 50 to 46 percent opposed paying $15 more in taxes for the arts. It is now 59/39 percent. That was done exactly in July of the same week that we reported that Mr. Reagan looked like a shoo-in for President.

Mr. LOEFFLER. That was not then since his election.

Mr. HARRIS. No.

Mr. LOEFFLER. Did that have a bearing though to the response?

Mr. HARRIS. Not necessarily. People before his economic message we found in health areas and education areas their sacred cows people are opposed to cutting those and after he made a plea for cutting them they didn't go along. I could explain those. People don't feel even though they—you know, pro-Government is only 8 percent of the cost of education. They say, look, we have hurt our kids by letting the schools decline enough, we cannot afford to let our kids not get a good education. The other is we are not going to let anybody die in this country for lack of proper medical care.

One of the great ironies in the health care thing, Medicaid and Medicare, for years the argument against national health insurance was that, look, we do take care of the poor. So when you come to them and say cut Medicaid for the poor they say, what the heck, what are you doing? Do you want to have national health insurance? You can't wash both ways. That is all beside the point, I think.

The point is people say, I would be very happy to see this committee come up with $159 million which is exactly the authorization for this year. That is a $9.1 million cut from the Reagan version of the Carter budget about which I talked to David Stockman at length so I know it is $175 million that President Carter had but the Reagan people say it is $173 million. They have got a jiggle factor that they apply to it. That means a 9.1 percent cut to the arts off the budget and that is a pure accounting. When you talk about a big paring of cuts, Mr. Loeffler, you know as well as I do that total Federal spending is still going up. You are talking about cuts off the budget. So 9.1 percent making $159 million is more, I would suggest, than the aggregate of all the rest of the items.

Mr. YATES. That is a heck of a lot different from $85 million.

WITNESS

FRANK A. SAUNDERS, VICE PRESIDENT, PHILIP MORRIS, INC.

Mr. YATES. Mr. Saunders.

Mr. SAUNDERS. Thank you, Mr. Chairman.

Mr. YATES. You are Vice President of Philip Morris.

Mr. SAUNDERS. Yes, I am Vice President of Philip Morris and among the many areas for which I am responsible is cultural affairs and cultural contributions, financial relations and many other things as well. I am speaking today really on behalf of only one corporation. I agree with Lou's statement earlier that the corporations really have an awful long way to go in the matter of funding for the arts. Philip Morris happens to have been one of the pioneers in that business and we took some chances with it.

Now corporate growth in dollar terms has also grown. Nobody quite knows what it has come to. The BCA in a study done by the Touche Ross firm, the last numbers put out, had corporate giving at $435 million for 1979. Lou does not agree with those numbers, I know, but that is the only numbers I have.

Mr. HARRIS. The only reason I don't agree is that we have found we should not survey business or any other funding group to find out what they have given, what you should do is go to the arts organizations and see what they received. In the case of corporations some undercount but some overcount by counting, let's say, Public Broadcasting sponsorship and that kind of thing in it. I will put it this way, it is a rather loose count.

Mr. SAUNDERS. Nobody really knows the number. The fact that the original BCA count was $22 million back in 1967 for all corporate giving and it is now $435 million, those numbers may not be exactly right but they indicate the direction of corporate giving. It has been up and it has been very sharply up. That does not mean that the number of corporations involved is up. The number of corporations which are giving to the arts is still very, very limited and we have a long, long way to go to persuade other corporations to get on board and help.

The NEA I think has provided a stimulus for the enormously incorporate support of the arts over the last 15 years or since its foundation. I can speak only for Philip Morris, as I said, and I can tell you that if it were not for the National Endowment for the arts partnership support and its creative energy and the sort of reassurance it gives us about the shows that we sponsor, it is doubtful that Philip Morris would have underwritten so many shows and that we would have increased our corporate giving to the arts as much as we have and it has been quite an enormous increase in our corporate giving.

There are two kinds of art involved here really, with mostly individual art. We have done some things in the performing arts. We are talking about traditional art, established art which provides a learning experience to millions of people. You are also talking about a second form of art which is more adventurous, very modern art, very far out art. The first form, the traditional form, is much more acceptable to corporate boards of directors. The second needs our help, too, and there are not very many corporate boards that are willing to take chances with the second kind and this is where the NEA's stamp of approval has really counted. It gives art the second kind of art, the more experimental art, the more creative art, a much better chance for funding in the board room and a much better chance for survival to contribute to our world.

76-703 0 - 81 - 11 (6b)

The fact at Philip Morris, I know that the NEA's meticulous selection process in general has given us a lot of reassurance over the years about shows that we were doubtful about and it has been a very, very important factor in increaseing Philip Morris 'contributions to the arts. It has made the difference, there is no question about that, and the result, of course, is that we have found ourselves to be increasingly during the whole decade of the Seventies in partnership with the NEA on major visual art shows that we sponsor.

Now I am pretty sure that the point I think Lou was making, too, he used President Reagan as the example in Ford's theater. I will use precisely the same analogy in connection with the NEA. I am certain the NEA has the same merit for other companies that it has had for Philip Morris. It has stimulated increases of corporate support among those companies that are already giving and it can help us who are already active in the arts to recruit new businesses in the arts. I don't think that there is any question about it whatever. This is where the dollar numbers that the NEA puts out are really much more significant than they might appear to be, they are worth much more than they actually are.

In the present climate in the paper which I have submitted I don't think there is any individual Sir Galahad corporation that is going to come to the rescue of the fair damsel art in distress but in the last 15 years we have learned that American business will respond very vigorously to the examples set by Government; i.e., President Reagan in Ford's theater and Philip Morris with the NEA's help, and we have been trying to recruit other companies, those of us who are active in the arts, in the corporate world have been. Our chairman of the board and our vice chairman and I myself have all given speeches to business groups about the importance of support of the arts in their communities and in the climate of the communities in which they operate and where they have plants and where they have employees and its attractiveness in terms of bringing new people to the corporation and so on.

We will at Philip Morris continue our funding as we have been doing and perhaps we will even be able to increase it. We helped fund the Louis Harris study which Lou has referred to, the Americans and the arts study, and I think Lou has given quite enough on that that the American public wants art, that the American public will pay for art but the Federal Goverment and government at other levels as well simply has to stay on board and help us all do the job that has to be done.

On behalf of Philip Morris I thank you very, very much for the opportunity to appear.

Mr. YATES. Mr. Saunders' statement go in the record. Thank you.

[The statement follows:]

TESTIMONY OF

FRANK A. SAUNDERS

STAFF VICE PRESIDENT, PHILIP MORRIS INCORPORATED

March 25, 1981

The arts flourish today in the United States; they do so only because their actual revenues -- the so-called "earned income" provided by the general public -- are supplemented by public funding and private contributions.

The impact of the arts upon the economic life of U.S. communities has been widely noted. The arts may be classified as a labor-intensive industry, generating a high dollar return on these philanthropic "investments" in terms of jobs and daily business, most obviously travel, hotel, food and entertainment, but extending through the entire economy. This is true not only for the larger cities, but for all communities across the country. The Chamber of Commerce in Minneapolis-St. Paul once estimated that the yearly visit of the Metropolitan Opera alone represented a $1 million boost to the local economy.

Cultural activities stabilize communities and neighborhoods; the economic and social worth of this cannot be calculated. They increase property values. They provide all levels of government with sizable tax revenues. Another important factor, also impossible to measure, is the ability of the arts in cities of all sizes to attract and retain key corporate management personnel, with supplementary benefits of such leadership in all phases of communal life.

With public funding and private giving in tandem, the free arts bloom throughout the United States. They help to defend and safeguard our national heritage, character and sense of purpose. It is not a cliche to suggest where there is no art, no culture, the land is barren and life is dreary.

Just last Wednesday, in a dispatch from Peking, a New York Times correspondent observed the so-called Cultural Revolution -- in its name a 3,500-year-old culture was attacked and nearly destroyed -- "not only vulgarized China but also turned it into one of the world's most drab societies -- the non-fiction equivalent of Antonioni's 'Red Desert.'" Elsewhere he commented upon the "brutalization of spirit" that occurred.

Nor was his criticism denied. Red Flag, the Communist Party's leading theoretical journal, earlier this year admitted "Beauty stands for what excites the heart and pleases the mind. It also stands for ideals...Without beauty and the pursuit of it, life would be too bland...Actually, the appreciation of beauty is not a bourgeois element. It is a noble spiritual enjoyment."

We could have told them that a long time ago. China now has a cultural problem of gargantuan proportions. Fortunately, it is not ours.

The modest level of federal funding for the arts has been far more significant than the figures would suggest. In 1967, one year after the formation of the National Endowment for the Arts, American business contributed a total of $22 million. Last year NEA advanced about $155 million to the arts, while American companies in 1979, according to a study by the Business Committee for the Arts, contributed some $435 million, nearly three times as much. What is important here is that the presence, the activity and the enthusiasm of NEA were the critical stimuli for this quantum leap in corporate support from a virtual standstill position in the mid-1960's.

I cannot speak for other companies, but I can speak for Philip Morris vis-a-vis NEA. If it were not for the partnership support and creative energy of NEA, we would not have underwritten so many exhibitions, so many shows of great cultural and national significance, or have had them seen by so many people in so many communities, large and small, all over the country.

There are two kinds of art involved here: one is art approved by tradition and time, which has been exhibited as a learning experience for masses of the American people and visitors from abroad; the other is art as individual adventure, creativity springing from the oldest traditions or the newest thoughts. The first is naturally more acceptable for business sponsors, but the second needs our help, too.

As it happens, few businesses are adventurous, few boards of directors are prepared to stake company money on creative, speculative art forms. But when given the stamp of approval by the National Endowment, such new art does have a chance in the board-room, and given that chance of support, it has a chance to survive, to grow, and to enrich contemporary America.

We have always valued NEA's meticulous selection process and, on more than one occasion, relied on NEA's involvement in deciding to sponsor one or another particular show. For us, at any rate, NEA participation throughout the years has made the difference, the critical difference, in so many ways.

The NEA, I am certain, possesses similar merit for other corporations. The growing scope of federal funding indisputedly has prompted many companies to become supporters of the arts in the first place. Continued high-level support, especially in this period, would not only stimulate companies active in the arts to maintain, perhaps even increase, their support. It would also inspire these companies, on their own and through such agencies as the BCA, to intensify their "recruiting" efforts in urging businesses -- those not now supporting the arts -- to join this great national cultural partnership with the federal government.

In the corporate world, with its myriad economic obligations and social responsibilities, there can be no individual Sir Galahad corporations leaping to the rescue of the fair damsel Art in distress. There are no hidden wells of resources to release when the alarm is sounded. But, as the last 15 years have demonstrated, American business can and will respond vigorously and in growing strength to the example set by our government.

Philip Morris, for one, has been quite active along these lines for a long time. In addition to our own engagement in the arts, our chairman and other senior officers frequently address business leaders everywhere in the United States, seeking to enlist them in the good cause. For some years now we have been conducting a special advertising campaign directed to our nation's business leaders. Our slogan is "it takes art to make a company great."

So far as art support now and in the future is concerned, Philip Morris plans to continue on course. We will do as much as we have done in recent years, and hopefully we will be able to do even more.

Philip Morris recently helped to underwrite a third survey by Louis Harris and Associates on the subject of "Americans and the Arts." It found the American people do not look upon art as a frill or passing fancy, but regard it as an imperative social need for themselves and their children. This understanding establishes the ultimate reason for federal funding of the arts and for corporate philanthropic support of the arts.

We are in an economic crisis. Most Americans have less leisure time than before. In the face of these two deterrents, the American people, nevertheless, have expressed their desire for more art, more art activities, more art facilities. The survey discloses an agreement by the American people -- as close to unanimous as you can get, an overwhelming 95 percent of the population -- that the arts "make a community a better place to live in." They believe, to cite one example, "museums are an important resource for the entire community." In fact, more than 80 percent considered "more and better cultural facilities" an important priority.

What stands out in these hard times is that most people not only want government and business to support the arts. They themselves are willing to pay additional taxes, if need be, for the arts.

Art strengthens our capabilities to overcome our broad difficulties. It generates a sense of confidence in the future; it whets the communal appetite to move forward. These days we need to nurture those things that propel our enterprising spirit.

On behalf of Philip Morris, I am pleased to submit these thoughts during your deliberations on the character and course of federal support of the arts -- and of the National Endowment for the Arts -- in the days ahead.

Thank you.

WITNESS

PATRICIA DOYLE, CLEVELAND FOUNDATION

Mr. YATES. It is very nice to see you again, Miss Doyle.

Ms. DOYLE. Thank you. It is very nice to see you.

Mr. Chairman and members of the committee, as I have listened here today to the very eloquent statements that have been made by people who represent individual artists and arts institutions I think that perhaps the dimension that I can add at this point is to give you a case history of what has happened in an American city because of the grants made by the National Endowments for the Arts.

I have been in the position to see this firsthand as Program Officer for Cultural Affairs at the Cleveland Foundation which is the oldest community foundation in the country and one of the largest in terms of assets. I have also in this capacity served in a rather unusual project as project manager for a look into the major performing arts institutions of our community in which each of them was asked to make a long-range plan to joint board and staff committees and that it was our sense that if these organizations could develop strong and sound plans that they would be in a much better position to trigger support from other sectors of the community and the endowment. These plans were reviewed by a high level committee of corporate and community leaders, including the chief executive officers of some of our major multinational corporations.

The real problem was how did you trigger in our community the kind of giving that was going to be needed to sustain these very important performing arts organizations in the years ahead? Some of these organizations have been in our community for more than 60 years and we are very well known nationally. Others were almost brand new but very, very promising and that triggered support has been the National Endowment for the Arts. This group of organizations asked for a consortium challenge grant and they asked us to serve as applicant and fiscal agent on their behalf and in fiscal 1980 the National Endowment awarded its largest challenge grant in the country to this consortium, a grant of $1.75 million. It was to six agencies and the seventh member of the consortium, the Cleveland Orchestra, supported the effort but did not ask for funding because it had previously received a $1 million challenge grant.

As you know, a challenge grant requires at least a 3 for 1 match and in the case of these organizations they were going out to plead them saying we have to raise in three years $6 million in new or increased funding, and what is really a remarkable success story here is how they are doing this and where the money is coming from. Most impressive is the support that is coming from the corporate sector. In the year in which these organizations applied to the NEA for the challenge, they were receiving non-Federal contributed money—the money from foundations, from individuals, from corporations, from benefits, local and State government. Of that money only nine percent was coming from corporations. Of the new and increased money that has been raised and in the bank to date 30 percent has come from corporations.

Mr. YATES. That is quite an increase.

Ms. DOYLE. It is a really dramatic story. When the pledges that are outstanding and the proposals now being reviewed are fulfilled we anticipate this percentage will be even higher.

Mr. YATES. Do you think you would have received that dramatic an increase if you did not have the seed money from NEA?

Ms. DOYLE. I do not. I think this was that stamp of approval which our previous speakers spoke about, the prestige of the review process of the NEA and the catalyst. It was the starting point and I can give you some really varied concrete examples of how this works.

Mr. YATES. We would like to hear that because you are dealing with corporations every day, aren't you?

Ms. DOYLE. As a community foundation most of our money comes from wills and gifts left to us over many years but we deal, yes, with corporations all the time and many cooperative ventures.

The Cleveland Ballet which was founded in 1976 by two very gifted former principal dancers from the American Ballet Theater, one of them in Cleveland and the other an extremely talented choreographer, wanted to create a major ballet company in Cleveland and there was a strong support from a fine new and somewhat inexperienced board. In order to build the major company it was going to require a great deal of money and the ballet company recognized, as do many ballet companies, that an important part of their earned income picture was going to be a very successful Nutcracker and they wanted one that was a delight to children and also consistent with the artistic standards which they were setting. The NEA challenge grant plan included the request for funding to start the Nutcracker and very shortly after the challenge grant was received this company was able to go out and to obtain two terribly significant breakthrough grants, grants of $150,000 each from National Citibank and from the Eaton Corporation. Prior to this the company had been very happy with a corporate gift of $1,000 and overwhelmed by one of $5,000. Since then there are other multinational corporations which are lining up and are making grants in excess of $500,000 and in some cases $100,000 to help other ballets with this company.

Mr. YATES. Would that have happened without the seed money from NEA?

Ms. DOYLE. I don't think so at all.

Another story——

Mr. YATES. I am going to have to cut you short. I am going to ask you if you would furnish the committee with a written statement.

Ms. DOYLE. I have it in writing.

Mr. YATES. Good. That is fine.

Ms. DOYLE. I will be glad to submit this for the record.

[The statement follows:]

TESTIMONY OF

PATRICIA JANSEN DOYLE, PROGRAM OFFICER

THE CLEVELAND FOUNDATION

Mr. Chairman and members of the subcommittee, my name is Patricia Jansen Doyle. I am program officer for cultural affairs of The Cleveland Foundation, the nation's oldest community foundation and one of the largest, with assets in excess of $225 million. The Cleveland Foundation, through gifts and bequests from many donors over the years, contributes to a wide range of health, social service, educational, civic and cultural activities in Greater Cleveland. In recent years our support for the arts has risen dramatically, increasing in both dollar amount and the percentage of our total giving. In 1980 our Distribution Committee authorized $2.1 million for cultural affairs among total authorizations of $13 million.

The speakers who have preceded me on this panel have described far more eloquently than I could what the National Endowment for the Arts has contributed to the growth and vitality of the cultural life of this nation and how it has served as a catalyst for increased financial support from the private sector. I wish now to testify to what the National Endowment for the Arts has meant to the performing arts in one community and its surrounding market region. That community is Cleveland, a city with the many complex problems typical of an aging industrial city but with a burgeoning number of people who appreciate, attend and support quality in the arts.

One of our most unusual activities at The Cleveland Foundation has been to serve as applicant, and subsequently as fiscal agent for a Challenge Grant from the National Endowment for the Arts on behalf of a consortium of major performing arts agencies. We did this at the request of the agencies and with some reluctance for this was outside our usual role and carried with it tremendous monitoring responsibilities.

We shared the community's pride, however, in the fact that the National Endowment for the Arts awarded $1.75 million -- the largest Challenge Grant in the country in fiscal 1980 -- for the benefit of six members of the ad hoc Cleveland Consortium for the Performing Arts. The organizations are Cleveland Ballet, Cleveland Opera, Cleveland Play House, Great Lakes Shakespeare Festival, Karamu House and the Playhouse Square

Foundation. The consortium also includes the Cleveland Orchestra which has provided great cooperation and moral support but did not seek NEA funds as a part of the consortium because it had received a $1 million Challenge Grant two years earlier.

While all grants from the NEA are essentially challenge grants because they require some kind of local match, those specifically labeled Challenge Grants are more demanding. They are one-time-only grants made usually to institutions of national or regional significance to enhance artistic quality, to strengthen management capabilities and, most especially, to assure a measure of financial stability by raising the level of private and local government support. Challenge grants require the recipients to raise at least three dollars for every NEA dollar received, and four dollars when funds are being applied to capital purposes. The Cleveland Consortium, therefore, has been challenged by the NEA to raise nearly $6 million in new or increased funds over a three-year period -- and the consortium is right on target in attaining this goal.

In fact, there is a remarkable success story in the stimulus provided by the Challenge Grant in raising the level of giving in Cleveland, and most especially in raising the level of corporate support. Until this consortium grant came along, the world renowed Cleveland Orchestra was the only performance group successfully tapping major corporate gifts in Cleveland. Today the corporations continue their generous support of the orchestra but have assumed significant responsibility for other performance groups as well. The consortium's latest quarterly report to the Endowment, submitted in January, documents this. Among the donors -- individuals, foundations, corporations, benefits, local and state governments -- corporations contributed only 9% to consortium members at the time the six agencies applied for the challenge grant. The corporate share of the increased funds paid to date to match the challenge grant is an impressive 30%. Let me repeat, corporations gave 9% in the base year; 30% of the expanded giving since then. Outstanding pledges and proposals now under review are likely to increase this impressive percentage even more.

The National Endowment for the Arts provides much more than money, however. Because of its national stature and the reputation of its review processes, an award from the Endowment signals to the local community that the recipient institution is important to the cultural well-being of the community and, in the case of a challenge grant, to the region and nation as well. The award to the Cleveland Consortium for the Performing Arts has given renewed vigor to institutions which have been important to Cleveland for more than 60 years, such as Cleveland Play House, the oldest resident professional theatre in the country, and set a Good Housekeeping Seal of Approval on promising groups still in their formative years, such as Cleveland Ballet and Cleveland Opera, both now just five years old.

In fact Cleveland entered the decade of the eighties as one of the few American cities with the very realistic prospect of having not one or two but a full range of performance groups that are artistically viable in the years ahead. Furthermore the challenge grant effort had led to a high degree of respect and cooperation among institutions that barely knew each other when the process began.

Please let me give you a few examples of what the federal support through this program has meant to the institutions. Take the case of Cleveland Ballet, founded in 1976 by two former principal dancers of American Ballet Theatre, one a Clevelander, who have created an exciting new look in ballet with their original choreography and style. Cleveland Ballet knew that a successful Nutcracker would be crucial to its earned income picture in the years ahead and wanted a dazzling Nutcracker that would be a delight to children and consistent with its high artistic standards as well. The NEA challenge grant included support for the project and Cleveland Ballet, which heretofore had been pleased with modest corporate gifts, attracted contributions of $150,000 each from the Eaton Corporation and National City Bank to mount the Nutcracker. Our Foundation gave a substantial contribution as well.

The Nutcracker was an artistic and box office triumph. Tickets were scalped like those for a winning

football team and during its second year this past December the Nutcracker played to 21 sold-out performances grossing $877,000. Other corporations are now funding other ballets, making grants in high five and even six figures.

In January Cleveland Ballet went on its first tour, appearing on the Brooklyn Academy of Music's Ballet America series which this year is showcasing six major non-New York dance companies thanks to the NEA dance touring program and Exxon Corporation. Cleveland Ballet came home showered with acclaim by audiences and critics alike, with one major dance critic writing, "This is a finely honed professional troupe that can hold its own with the best, in this country or any other." This has been good for the company and good for the morale of Clevelanders as well.

The NEA imprimatur enabled Great Lakes Shakespeare Festival, a regional classical repertory company, to attract a grant from Sohio for a one-man show by promising Cleveland playwright, James A. Brown. "My Lady Luck," based on the life and writing of poet Robert Service -- "The Shooting of Dan McGrew" -- ran successfully at the Shakespeare Festival's Lakewood, Ohio home, at Playhouse Square in downtown Cleveland and earlier this year off-Broadway.

Most heartwarming is what has happened to Karamu House, which for more than 60 years has fostered interracial understanding through the arts and housed the oldest black theatre in America, nurturing everyone from poet Langston Hughes to actor Robert Guillaume, better known as Benson in TV land. Karamu had been through trying times in the late sixties when a few unfortunate incidents drove away audience and patrons. In the five-year period leading up to the challenge grant application, Karamu's income, when adjusted for inflation, had eroded by nearly one-third. Individual contributors had disappeared and Karamu was kept alive solely by United Way, a designated fund within our Foundation, and the Expansion Arts Program of the National Endowment for the Arts. It had trouble attracting board members and its mission remained undefined.

The award of the challenge grant, tied to eliminating the debt and launching a professional company, has breathed new life into Karamu. The board and staff had to get their act together if they were to raise the three-for-one match. They have done so. Karamu has a new executive director, a man who has served on the NEA theatre panel, and its board of trustees is attracting rising corporate executives, both black and white, as well as wives of Cleveland Browns and sons of Cleveland's old Yankee families. Karamu has launched its first public solicitation of funds in years.

The most dramatic story is that of the Playhouse Square Foundation which recently launched a multi-million dollar campaign to renovate and expand three landmark movie palaces and legitimate theatres into an arts and entertainment complex equal to the Kennedy Center in seating capacity.

The renovated theatres, one with a substantially enlarged stage, will become the home for Cleveland Ballet, Cleveland Opera and Great Lakes Shakespeare Festival and the downtown performance location for Cleveland Orchestra concerts and Karamu plays and musicals as well as a host of nationally and internationally famous touring groups which now bypass Cleveland.

Playhouse Square's first campaign gift came from the NEA challenge grant. More important than the monetary value of this nearly half million dollar gift was the recognition by the Endowment that Playhouse Square was doing something very important for the arts in Cleveland. A grass-roots movement spared the theatres from the wrecker's ball and kept them alive -- but ever so precariously. After 10 years, the community was beginning to wonder if the goal of a major arts and entertainment complex would ever become a reality. The Endowment grant was the shot of adrenaline so vitally needed. Playhouse Square expanded its board, strengthened its management, created a powerful steering committee of local business and corporate leaders and launched its campaign last May. Since then it has been granted $500,000 from Sohio, $300,000 from TRW Inc., $200,000 from Eaton and more than $1 million from the banking, accounting and legal community. I am certain some of the lawyers serving on

the subcommittee appreciate what a remarkable thing it is for law firms to dig deep into their pockets for any community endeavor. In Cleveland, two law firms have contributed $75,000 each and another one $50,000 to this project. It should be noted that most of these gifts are still in pledge form and when payments are made are likely to enhance the corporate share of challenge grant gifts.

The contributions to Playhouse Square are indeed extraordinary in amount. Let me be honest, however. There is more than one reason why they were made. Cleveland, an important corporate headquarters city, is blessed with business leaders who believe genuinely that their firms have an obligation to enhance the quality of life in the community in which they operate, and that the arts are central to quality of life in any society. They also recognize that the rehabilitation of Cleveland's theatre district is important to the economic revitalization of the heart of the city and that if downtown Cleveland is to have life after dark -- entertainment, dining, boutiques, new hotels and apartment housing -- this is where it will occur.

The experience at Playhouse Square and Karamu and the other performance organizations indicates that the corporate world has much more than money to give. Top executives have begun to serve on arts boards and key committees and to provide valuable insights into sound management of arts endeavors.

I have concentrated in this presentation on corporate giving. Other segments of the philanthropic community have stretched their giving as well. The Cleveland Foundation's cultural affairs authorization of $2.1 million in 1980 was nearly twice that granted for the arts as recently as three years earlier, with a substantial part of the increase going to the six consortium grantees plus the Cleveland Orchestra. The George Gund Foundation, Cleveland's largest private foundation, which was making no awards to performing arts groups several years ago, has begun to make sizable grants. Several are in the six figures and a contribution of cash and a building to the Playhouse Square Foundation is worth nearly three quarters of a million dollars. Other private foundations, family foundations and individ-

uals have responded similarly. Furthermore, during the challenge grant period, Cuyahoga County initiated grants to cultural institutions and the State of Ohio doubled its appropriation for the arts -- although budget cuts are now proposed due to depressed economic conditions in the state.

All this suggests that the National Endowment for the Arts has not discouraged private or local giving. Rather the NEA has played an extraordinary role in creating incentives for funding by others. Such a public/private partnership is important to the achievement of our major public purposes. People understand what government does when they become partners to the program, giving of their time and money. The drastic cuts in the NEA appropriations proposed at this time break faith with the expectations created by the past endeavors of the National Endowment for the Arts and the generosity with which the private sector has responded to those initiatives.

It is unrealistic, however, to assume that the private givers who have responded so generously to the initiatives in Cleveland -- and all across the land, as others have testified -- can or will be in any position to stretch that much further to fill the gap that would be left by any cuts by Congress. To leave the budget unchanged would be, in effect, a cut of 10 to 11% in these times of spiraling costs.

We must all recognize the implications of the reordering of national priorities implicit in the total budget program proposed by the Administration. The cuts are proposed for many activities which already depend heavily upon the contributed dollar. Private donors, whether they be individuals, foundations or corporations are not going to be able to pick up the slack for all these programs, whether they deal with the poor or the sick or the spirit of man enriched through the arts.

Mr. YATES. Mr. Loeffler.

Mr. LOEFFLER. I would like to follow the seed money concept which has been more of the focus of the testimony and our questions since we moved into this hearing room.

The seed money that is currently available in whatever form, can it be reduced and still have the same impact? Can there be a reduction of Federal money but still with the legitimization of the Federal process NEA gives and still deliver to us the necessary financial capabilities that we are seeking to achieve?

Ms. DOYLE. Well, I think it is very difficult to reduce the support for the arts right now.

Mr. LOEFFLER. Seed money and support for the arts, one is a part of the whole.

Ms. DOYLE. I understand.

Mr. LOEFFLER. Do we have any seed money, if I understand it correctly, and I am not an expert in the area so don't assume I know it.

Go ahead.

Ms. DOYLE. Well, I would have to say that I think that the catalytic impact, I can't really say if they reduced the amount. I know that the arts organizations to be viable cannot afford to have the endowment reduced too much.

Mr. YATES. If I understand Mr. Loeffler correctly, what he is saying is does the amount of an NEA grant bring corresponding grants from private corporations?

Ms. DOYLE. Yes.

Mr. YATES. Suppose, for example, if instead of having a $100,000 grant from NEA as the seed money that were cut in half and was $50,000 or $25,000.

Ms. DOYLE. Thank you. I understand.

Mr. LOEFFLER. You still have the legitimization.

Ms. DOYLE. Yes, of course.

Mr. LOEFFLER. You have the private sector, be it individual or corporate, seeing that the imprimatur of the Government has been placed upon that particular art performance.

Ms. DOYLE. Well, in the case of the project which I am describing to you the amount was enormously crucial. In fact, we had hoped and had encouraged in every way we could that the endowment could make that a $2 million grant because we thought the impact of the $2 million figure was what was needed to trigger our community and we felt so strongly about it that our foundation added $250,000 so that when the announcement came the community had a $2 million challenge and had to raise at least $6 million to match it. So we felt strongly, yes, indeed about the amount.

Mr. LOEFFLER. Rather than the challenge being three times, it would have been four times? I mean you would have had to come up with four times as much.

Ms. DOYLE. In the planning process each organization figured out what it felt it could actually raise and so the amount that they requested and which the total grant came close to reaching was based upon what they thought they needed and what they could raise to match it.

Mr. LOEFFLER. All right. Might I proceed?

Mr. YATES. Yes.

Mr. LOEFFLER. I am being absolutely sincere. I am not looking to ax an important way of our life but I am looking toward doing what is fiscally the most responsible thing we can do beginning here in this subcommittee.

Assume that the 50 percent reduction would have meant that your grant would have been $1 million. You were prepared to raise $6 million when you got $2 million. One million dollars is an enormous sum of money to put out as a carrot to dangle in front of a horse.

Now could you have raised in that instance then the $7 million which would only have been $1 million more? I don't say only in a light way, I know money is hard to raise, too.

If you can't answer it, maybe you want to think about it and submit it for the record.

Ms. DOYLE. I would say that some of the organizations could and some of them could not. In actual fact some of these institutions have needed more than the total match for the challenge to carry out their programs.

Mr. LOEFFLER. Thank you.

Mr. YATES. Thank you very much. I appreciate it and look forward to receiving your written statement.

Ms. DOYLE. Thank you.

GOVERNMENT

WITNESSES

PATRICK J. SWEENEY, MEMBER, OHIO STATE SENATE
JOSEPH P. KRIER, VICE CHAIRMAN, SAN ANTONIO ARTS COUNCIL
JOHN FROHNMAYER, CHAIRMAN, OREGON ARTS COMMISSION
HENRY CAUTHEN, PRESIDENT AND GENERAL MANAGER, SOUTH CAROLINA ETV NETWORK

Mr. YATES. We will now hear the Government panel. I am sorry to keep you waiting.

Mr. CAUTHEN. Mr. Chairman, let me state at the outset that two of our members had to testify elsewhere this afternoon and they may join us later.

Mr. YATES. Mr. Krier and Mr. Cauthen are here.

Mr. KRIER. Mr. Cauthen will begin for us.

Mr. YATES. I am sorry to keep you waiting and I must say I am sorry to keep the others waiting, too.

Mr. CAUTHEN. Well, Mr. Chairman, I enjoyed very much hearing the testimony of the others appearing before me.

Mr. YATES. Do you have a statement? If you do have a statement, it may be made a part of the record.

Mr. CAUTHEN. Yes, I have a statement and I think it has been provided.

Mr. YATES. All right.

Mr. CAUTHEN. I would like to say to Mr. Loeffler that I have been to San Antonio; in fact, I have performed there but when I performed there I was a member of the United States Air Force so it was in a slightly different capacity. I make that only half in gest because just this Monday I went down with my son to help him

76-703 O - 81 - 12 (6b)

register for the draft and we did it with a sense of pride. I come from South Carolina, the State that gave you Mendal Rivers, the long-time chairman of the Armed Services Committee.

Mr. YATES. He was a friend of mine.

Mr. CAUTHEN. And a very close friend of mine as well.

So I guess my support and belief in a strong military is pretty deeply engrained but I don't think it is a question of either/or. I truly believe that if we had to say either/or, I would have to come down on the side of the military. We have to defend this country, there is no question about that, but I do believe that there are some other questions involved here and that is truly the quality of life style that we want to defend, what is this country all about, what we want it to be and whether or not it is the kind of country that we can have our young people proud to defend again and it has disturbed me that we don't always have this kind of pride in military services we once had.

I believe that the arts are a very central part of our national activity and I believe it is a very legitimate area for the Federal Government to be involved in. As some others have said, I don't think it is an activity that the Federal Government should by any means take over. I think the Federal level of support should be at a low enough level where it does not control the arts, it simply stimulates them.

I had the very rewarding experience of serving on the National Council of the Arts for six years, from 1972 to 1978, and from that perspective I had an opportunity to see the development of the arts throughout this country in a way that it has never happened before. I think that the catelyst that the National Endowment provided the seed money and in some cases some very important operational and support money were the reasons we had this flowering and this rebirth of interest in the arts even in our most remote and smallest communities.

When I was asked to become a member of the National Council I wondered a little bit about why they asked me to serve, the President of South Carolina's Educational Television Network. I agreed and I am very honored to serve. I cornered Nancy and I said, "Nancy, why did you single me out of all people to serve on this council?" and she said, "Well, we needed somebody from Public Broadcasting." I said, "Well, that makes sense." She said, "We also needed somebody from the area of the country where the arts were very underdeveloped," and I unfortunately fit into that category but fortunately that is no longer the case. You heard some testimony earlier about the spectacular success of the Spoleto Festival in Charleston.

Mr. YATES. When is that going on this year?

Mr. CAUTHEN. That comes on in the last two weeks in May and the first week in June, it will be about 17 days.

Mr. YATES. We will bring Mr. Loeffler down there.

TESTIMONY OF HENRY CAUTHEN

Mr. CAUTHEN. Very good. I think he would enjoy it tremendously.

I served as a member of the board of the Spoleto Festival and I have watched that festival develop. Many people have real questions as to whether South Carolina could support that festival but I think we have proved that not only can we support it but in this

brief period of four years it has become not only one of the country's major art festivals but one of the world's. I think if you look at the amount of money that the endowment has invested in it, it has not been terribly large. It started out with about $85,000 and has gone down in general support to $65,000 now. In the meantime the actual operating cost of the festival has grown from $700,000 to $2 million.

So the level of Federal support has actually decreased while the level of general support for the festival has increased but without that Federal support, that Federal blessing, I don't think the festival would ever have gotten off the ground. The question of continued Federal support to the festival, I think it is very important we have a challenge grant now that has helped us raise $600,000 of a projected $750,000.

The State of South Carolina now puts $250,000 into the festival annually, the City of Charleston puts in substantial money and there is substantial private and corporate support for the festival but a very important partner in that still is the Federal Government. Maybe one of these days it could and should be phased out but I don't think really today is the time for that to happen.

I have looked at another sector of the arts activities in South Carolina and one that is very important to me and that is the Artist in the School Program. The projected cuts by the Endowment would wipe that program out. We have had 123,000 school children in South Carolina, many of whom had their first experience with the arts through this program. Until you have been in that classroom, as I have, and seen these kids experience dance for the first time or find out for the first time, to see their eyes light up when they discover that they can write poetry, you don't realize how much this means to our children.

If you cut off that program, you really may be cutting off the potential future of the development of a lot of the cultural heritage of this country. I kind of look upon that kind of spending as basic research in the development of our culture future and I think it is a very important part of it. I don't.know why but that is one of the parts that would be currently lost almost completely in this projected cut.

There are other services that the State Arts Commission provides that are very important to the elderly and homebound and to other groups. There is stimulated art throughout South Carolina. The festival itself has spilled over into vertually every other arts group within South Carolina and it has stimulated an interest in the arts in South Carolina. We really were in virtually a cultural void up until the festival came along and so the Endowment encouraged South Carolina and gave them a little bit of financial help and a lot of guidance to get this festival off the ground.

Another part of my very deep concern is in Public Broadcasting itself. I am Vice Chairman of the PBS board and as a member of the Council I worked long and hard to encourage a partnership between PBS and the National Endowment so that we could make the arts reach out more to the people and we are beginning to see that happening now. We are seeing American performers perform works written by American composers.

Mr. YATES. Which you won't see on commercial television.

Mr. CAUTHEN. Which you will not see on commercial television, that is precisely right. We are in the midst of developing a major dramatic series with South Carolina, Boston, Los Angeles and New York which are the primary producing agencies for that. The major funding for that is going to come from the Corporation for Public Broadcasting which also is projected to be affected by these cuts.

One aspect of the Public Broadcasting side of it is that if you look at the credits on Public Broadcasting programs you will see that the National Endowments for the Arts and the National Endowments for the Humanities, the National Science Foundation and a number of other agencies who are going to be cut are listed on those credits. For the future of Public Broadcasting and its capacity to serve the arts I think it is very much in danger by what is happening right now and I think that Public Broadcasting is one of the best ways of making sure that everybody in this country has at least some access to the best of our arts.

With those kinds of general statements, I would be happy later on to answer any specific questions you might have.

Mr. YATES. Now we get to San Antonio.

TESTIMONY OF JOSEPH KRIER

Mr. KRIER. Mr. Chairman, my name is Joe Krier and I am the Vice Chairman of the Arts Council of San Antonio. I would like to take a few minutes to tell you something about San Antonio.

Mr. YATES. I know a little about San Antonio not only from Mr. Loeffler but from your historic preservation people. I know about what I call the canal but what you call a river down there.

Mr. KRIER. Yes, sir.

Mr. YATES. And about what has been built up on both sides and about the boom in culture that is taking place there as a result of this development, so I know a little bit about it.

Mr. KRIER. That river development never would have been possible except for a little help from the Federal Government in the form of a WPA project back in the 1930s.

Mr. YATES. That is right.

Mr. KRIER. I would like to talk about San Antonio and the arts and what the NEA has done to help those two things. Some of this I know my friend and my Congressman, Mr. Loeffler, is quite familiar with and I hope a few of them he is not. San Antonio, Mr. Chairman, as you may know, is now the ninth largest city in this country. It is not a terribly wealthy city. We are not a seat for great corporations which can give to the arts. We are not a seat of great individual wealth. We are not a seat of great foundation wealth. In spite of that fact though we have managed through the years through ingenuity and through broad public support to get a great deal of support within our community for the arts but in addition to that, as Tennessee Williams' character Blanche duBois once said, "We have always depended on the kindness of strangers," and one of those strangers who came into our midst and became our friend was the National Endowment for the Arts.

We have seen, for example, between 1975 and the present the NEA grant serving as a catalyst for dramatic increases in public support for the arts. For example, between 1975 and 1979 corporate and business contributions to the arts as a percentage of total revenues for the arts increased by over 400 percent. Individual

contributions as a percentage of total revenues to the arts increased by over 100 percent. Contributions by the City of San Antonio to the arts increased by over 300 percent.

Now in that same time period NEA grants to San Antonio in dollar amounts increased by only 43 percent but because we had such a dramatic increase in support from other areas the Federal money as a percentage of total revenues actually declined by 25 percent during this period. The suggestion has been made, of course, that NEA money is a substitute for private giving. We believe that because of NEA money we have been able to get these dramatic increases in private, local government, corporate and foundation support and without both the imprimatur as you have said earlier, Mr. Chairman, that the NEA grants shall provide and also with the administrative screening that they provide that other donors are not able to do, they have served a very, very unique function for us.

The NEA grants have also through our local arts council which has served as an umbrella agency for the arts allowed us to do things that I think could not be done in any other way. For example, we have spent a portion of the money we receive from NEA to make available to local arts group seminars, resource material and how they can run their business better, how they can keep good books, how they can handle their finances.

I work and live in our business community and I am a practicing lawyer by profession and I represent businesses. There is a widespread feeling that people in the arts don't have good business sense and one of the things that our business community has been delighted at is that we have gotten some NEA grants that have allowed us to go into the arts community and help these people spend their money more efficiently, more productively and as a result bring their program and their arts to more groups throughout our city. We don't think we could have done that without the arts council and without the NEA grant that we got.

We have also seen in our community challenge grants, and Mr. Loeffler and I were talking about those earlier. Our symphony received a $150,000 challenge grant. That is just one example. Our experience has been in looking at the range of NEA and other Federal money we have received that for every dollar of Federal money we have gotten we have managed to produce from $3 to $6 in other moneys from other sources and we don't think we would have been able to do that without the Federal money.

That is a brief overview of the prepared statement that I have given to you. Let me say in closing, Mr. Chairman, I am not an actor, I am not an artist, I am not an administrator with the arts.

Mr. YATES. How can you be a trial attorney then?

Mr. KRIER. Only before the jury, Your Honor

I am not an administrator with the arts, nor am I a legislator who deals with the arts nor does my law firm represent any of the artistic groups. I am a private citizen who does not have great personal wealth and I have chosen to devote some of my time and efforts to the arts because I think they are a part of our country that we all owe something to.

Mr. YATES. Good for you.

Mr. KRIER. I am as concerned as anybody about inflation and about cutting the cost of our government but I also know in terms of what I see the arts have done for San Antonio and the arts, I might add, contribute about $50 million a year to our economy directly and indirectly. The effect of the dramatic cutbacks we are talking about would be very catastrophic for us and we are desperately concerned that we preserve the cultural heritage of a city that is over 200 years old and has a rich artistic legacy that we want to see preserved and we hope that the help we have gotten from the NEA in preserving that legacy can be continued.

Mr. YATES. Good statement.

Did you want to say something?

Mr. SWEENEY. Yes, sir.

Mr. YATES. Proceed.

TESTIMONY OF PATRICK SWEENEY

Mr. SWEENEY. My name is Patrick Sweeney and I am a State legislator on the House side of the Ohio Legislature and I am Chairman of the Education Section of Finance which has in it the responsibility for the arts. I am also a member of the Ohio Arts Council. We put by a little budget amendment requirement that four members of the legislature sit on the Ohio Arts Council to get upside front room oversight and found that what we have is an element that we can be very proud of.

Mr. YATES. What is your home town?

Mr. SWEENEY. Cleveland, Ohio.

Mr. YATES. The home of the Cleveland Orchestra and the Cleveland Museum and now the Cleveland Ballet and the Cleveland Playhouse, the longest repertoire company in the nation.

Mr. SWEENEY. And the Cleveland Browns.

Mr. YATES. And the Cleveland Browns.

Mr. SWEENEY. The playoff participant this year and next, we hope.

I want to echo the stateside role and its relationship with the National Endowment for the Arts. When the National Endowment came on line States began to set up arts agencies with the total emotion of being a conduit for whatever Federal funds might flow into or through the State capitol. Subsequent to that year, 1965, we have really been aggressive, as Jim as indicated, and have been able to curtail the need for the Federal Government to come in and start having gigantic leaps in arts funding because the National Endowment has been the catalyst for States to act, the appropriations of which have risen dramatically in the last six to ten years.

We also have impacted, as you have heard, on the local governments, the county and city governments, to do two things. We have two sides of Ohio in the arts community. You have the existing professional organizations and normally they take all the money. Then you have the developing need for access for touring and for rural areas, for opening up for amateur groups and to audiences that will develop and later on be your playhouse audiences. That kind of competition has been curtailed by what I consider to be one of the most efficient bureaucracies we have in Ohio, that being the Arts Council. They take half the funding and they put it into a general operating support for what we call our professional groups so that you don't have the Cleveland Orchestra and the Cincinnati

Orchestra overwhelming all of the arts dollars, and they are very capable of doing that.

So that half is set out and the rest goes into innovative arts development programs that have impacted dramatically in our cities, impacted in our rural areas, have done the kind of access in ethnic arts and in minority arts. We have one of the finest programs in the Nation. We have arts for the handicapped, we have arts for almost everybody but most of that has been triggered by the existence and the presence and the participation and encouragement of the National Endowment for the arts.

A 50 percent cut. The question that you laid out before the committee or the statement that you made earlier I think in quoting President Kennedy you said or he indicated that there is to be an indirect partner and assistance. I had it written down somewhere and I lost it.

Mr. YATES. I have it written down.

Mr. SWEENEY. I am going to go home now from this afternoon, Mr. Chairman, and end up quoting you.

Mr. YATES. Quote President Kennedy.

Mr. SWEENEY. "Indirect and marginal role in art support."

Mr. YATES. I think that was the one.

Mr. SWEENEY. They have become exactly that. They are not the major supporter; they are not the owners of the orchestras, the museums or the playhouse. They are a catalyst for action. They have been a positive catalyst, they could equally become a negative catalyst. If you persist with the 50 percent cut and a long-range elimination of any arts appropriation, you could in fact eliminate the enthusiasm you caused in State capitols and in countyseats, in city halls that not only the major institutions, the orchestras and the museums but the developing arts, the Artist in School Program, the economic impact in a city like Cleveland where the benevolence of every Federal program imaginable has done nothing but ruin my city—you urban renewaled it, God did you urban renewal it, then you came in and urban planned it for us and then you came in and swept highways in so my people can get out to the suburbs and county and then all of those kinds of problems that have happened.

The States have walked in and created through an education/cultural effort a renaissance for change in our downtown living, a renaissance in the way people recreate in the city, a renaissance in the housing patterns. They have done it through theaters, they have done it through the development of universities, through the community colleges and I say that economic impact as presented to us to study demonstrates anywhere from 50,000 to 75,000 jobs related to the arts are involved in the economy of Ohio. We think that is healthy and we are going to do more but we need your participation.

A 50 percent cut in Ohio results in a loss of $6 million. Like Mr. Brock said when he indicated the private side does not have any capacity to make up those cuts, I will have to tell you the State does not either. Yesterday our legislative budget office presented to our Finance Committee the glowing fatal fact that the Governor's budget as presented to the legislature is $520 million out of bal-

ance. That has brought rampant paranoia through the halls and I left town this morning as soon as the news hit the street.

Mr. YATES. Thank you very much. Thank you all.

Mr. LOEFFLER. I would like to pursue for a moment, if I might, Mr. Chairman, what in the eyes of each of you is the option that we have before us if we are to achieve a balanced budget. I hope that you have learned your lesson from us and that you go back and take care of that deficit that you spoke of.

Mr. SWEENEY. We are constitutionally mandated to do so.

Mr. LOEFFLER. You are fortunate.

How do we approach this? Do we assume that we will have 100 percent of the funding request or that we reduce it by 10 percent or 25 or 50 as the administration has requested? What is an adequate approach to this program and how did the two of us and our 433 colleagues in the House and 100 colleagues in the Senate reach what is—I do not like to refer to it as political mandate, I don't believe that at all. I believe it is what America must have and what we all want to achieve. Where do we go?

Mr. SWEENEY. Let me suggest two answers. One, the question laid to us by Chairman Yates must first be answered. Should government be a participant in our support? Once that is answered, then you have to deal with available funding which is always the question that States have and the question of Congress. Apparently it is going to go through but you look at a 50 percent cut and what impact that has.

If the first question is answered positively, then I have to tell you that it is ludicrous to start looking at a 50 percent cut rather than phasing, and forward warning to institutions, States and local governments that $6 million is going to hit Ohio in losses. We can absorb that. We might be able to absorb it in our large institutions but what is happening in our developing arts where they are more dependent on that encouragement, where they are developing the Ohio Ballet which is five years old and the Cleveland Ballet is five years old and they are both very good, they are developing. They are probably relying more on the Federal-State side and not on the private. You have to give them some legs up and some time to develop alternate funding.

Mr. YATES. Would you yield and permit me to make an addition to what you are saying and that is that you have seen progressively increased appropriations for the arts over a period of 15 years to the point of where the country expects some kind of government support for the arts and then for somebody to chop it off one year later rather than phasing it out, if you decide that it should be phased out, I think would create havoc with many of the arts organizations as well as the States themselves.

Mr. SWEENEY. I think at the time, Mr. Chairman, that the Congress reidentified the goals in the arts, to answer your questions and your challenges, whether or not we feel as the country that government should participate indirectly or directly. Once that question is answered, then you deal with the economic slice.

Mr. YATES. How do you feel about that?

Mr. SWEENEY. Absolutely. The historians when they write about us won't talk about our highways, they will talk about the music we write, the poetry we write——

Mr. YATES. Civilization.

Mr. SWEENEY. And civilization. Our culture will be judged upon that.

Mr. YATES. How do you feel about San Antonio?

Mr. KRIER. Well, we are clearly committed to the Federal Government playing a role. One of the reasons for that is we get over a million people a year go through our cultural institutions, a vast number of whom are not from San Antonio. We are a tourist city.

I think, to respond to Mr. Loeffler's question in greater detail, obviously the reality of where we are today is that the country desires and it is pretty clear to me that the Congress desires to make cuts and we are all going to have to bear some of that. In speaking solely from the standpoint of those of us in San Antonio with the arts, we recognize we are gong to have to bear some of that but we cannot bear a draconian overnight 50 percent cut.

If the senior partner in my law firm came to me and said, "Joe, we have had some reverses, we are all going to have to take a cut and you are going to have to take a 10 percent cut," my first reaction would be shock and horror but my second reaction would be that I can adjust to that and live with that, I can go out and try to raise some money for my good friend Congressman Loeffler. But if I had to take a 50 percent cut, I would not only be in shock but in cardiac arrest.

Mr. LOEFFLER. And you could not raise money for your Congressman.

Mr. KRIER. That is the problem, Mr. Loeffler.

Mr. YATES. Did you want to comment further?

Mr. CAUTHEN. Yes. I think very much in my mind is the message that has come out so far saying to a lot of people that the arts are not important or are not appropriate for the Federal Government to be funding. My first priority would have that be turned around and have it say they are indeed important, they are a key part of the Federal support to our society and that we are going to support them at the highest level we can under the economic circumstances we are faced with. Then I think the agencies through the impact of what is happening will be far lessened.

As I said, 50 percent is just an impossible amount to try to absorb at one time. We can absorb the kind of cut that is painful but something that you can survive. I cannot tell you what those steps are. I think you would have to look very carefully.

Mr. YATES. We will have to work those out ourselves.

Thank you, gentlemen.

Mr. LOEFFLER. Just in conclusion, that is what I have been probing for beginning before we came into this room and through the course of the testimony that we have heard here is what is realistic. I don't believe either in just loping things off, you have to look ahead and you have to plan ahead and that is individuals, corporations, the public sector, but where it can be done in a fair way with pain, yes, but survival is what I am looking for and I think that you can answer aggressively.

Mr. CAUTHEN. The impact on our economy was $20 million the first year, it was $30 million in the last festival and it is expected to rise this time. With the chance to present that picture to the people in South Carolina, we can help recover some of the loss of

Federal moneys and we can show to them how valuable the arts really are. We can do that but you need time to sell that concept.

Mr. YATES. Thank you very much.

The statements of Mr. Cauthen, Mr. Frohnmayer, Mr. Sweeney, and Mr. Krier will be made a part of the record.

[The statements follow:]

TESTIMONY BEFORE CONGRESSIONAL COMMITTEE
March 25, 1981

Everyone in this room is concerned about how to make our country better, stronger, and more economically sound. If we did not have those concerns, we would not be here. Two special concerns bring me here--the arts and educational television.

Psychologists tell us that we become, to a large extent, what we see, hear, and experience. It doesn't take any great intellectual or scientific study to tell us we are being constantly bombarded by stimuli from all directions and of every type. Newspapers, magazines, television all tell us of crime, pollution, diminished natural resources, increased possibility of war, inflation, unemployment, and on and on. Unfortunately, most of what we are exposed to is not very pleasant, rewarding, or uplifting. All stimuli, however, leave marks on us and our children. What we experience ideally should stimulate and nourish our personal and intellectual growth. The human being needs far more than food and shelter for a civilized life. The arts are an essential element in increasing the richness of the human experience.

We do not normally tolerate illiteracy. But there is often illiteracy in a vital area of human experience such as the arts. You would not consider for a moment letting your child grow to adulthood without being able to read. But across our nation, there is a disturbing atmosphere of artistic illiteracy among our children.

To be fully human, to be civilized, to reach our potential, the arts must play a vital role in the life of the community. The arts must be nurtured if they are to nurture us.

Only a few years ago my own state of South Carolina existed in a virtual cultural void. Today, however, we are in the midst of a dramatic blossoming of the arts that has benefitted the State emotionally, intellectually, and economically.

A very large part of the credit for this healthy renewed interest in the arts must go to the National Endowment for the Arts. A very good example of what I am talking about is our Spoleto Festival which will enter its fourth season in a few weeks. Spoleto Festival USA was established in Charleston, South Carolina, in 1977 with the encouragement of the National Endowment for the Arts. The Endowment and others interested in the future of the arts in this country hoped that bringing the American counterpart of Gian Carlo Menotti's internationally renowned "Festival of Two Worlds" to the Southeastern United States would encourage the growth and development of local arts organizations in the region. Early NEA financial support of Spoleto Festival USA was critical in helping to establish the Festival as a legitimate arts organization thereby encouraging a wide range of private support.

In 1979 and 1980 the Festival received grants from the NEA to assist with Opera/Musical Theatre, Dance Touring and Music programs. This funding was used exclusively to present young American artists, establish outreach programs in the public schools, and generate increased private support for the Festival.

In November of 1980 Spoleto Festival USA was awarded a $250,000 National Endowment for the Arts Challenge Grant. The grant will match on a 1 to 3 basis up to $750,000 in new or increased gifts to the Festival over and above the amounts given in 1979. This funding will be used to broaden the Festival's financial base of support, encourage greater community involvement in Festival activities, and ensure artistic standards of the highest quality. As of today, the NEA funds have triggered $600,000 in local funds.

While total NEA financial support of Spoleto Festival USA has never amounted to more than 8% of the Festival's budget, the impact of the support has been immense. NEA support has served to generate additional private contributions, present a wide range of young American artists, and take Festival programs and events to public schools, senior citizen centers, and nursing homes.

Last year more than 100,000 people attended the Festival. Half of them came from South Carolina, another 25% from the Southeast, with the remaining 25% coming from all of the fifty states and a half dozen foreign countries. The Festival in its very short three-year life has become an outstanding artistic success and is well on the way to becoming financially stable. Premature elimination of NEA funding, however, would undermine the entire economic base of the Festival and would have a direct and very damaging impact on the artistic quality of the Festival and endanger its future existence. This would be a tragedy for the people of South Carolina and, in my opinion, the entire country.

And, of course, the Spoleto Festival is not the only artistic activity that would be damaged by these cuts. The South Carolina Arts Commission provides seed money to encourage many artistic activities and has made possible a number of very valuable services such as a Mobile Arts Program that travels to small communities, an Arts for Elders Program that serves our older citizens, and a program that is very close to my heart, the Artists in the Schools Program. This program brought the arts to more than 123,000 South Carolina school students throughout South Carolina including our most rural and most remote schools. For many children this was their first experience with the arts. The NEA funding provided a wonderful experience to many children who otherwise may never have had the opportunity. The proposed reduction in funds will likely destroy this program that means so much to so many children.

As I mentioned to you earlier, I am also concerned about another impact these proposed cuts will have. As Vice Chairman of the PBS Board and President of the South Carolina Educational Television Network, I have worked very hard to make the best of our arts available to more people. Art must reach out to the people. The number could and should be in the millions. To achieve this, however, we must take full advantage of the new "stage" we have for our arts--

public television and radio. Public broadcasting has all too frequently been forced to rely on foreign productions and talent. Because of the lack of necessary funds, artists and art groups in this country are all too often overlooked. Through the leadership of the Endowment, this has to a measurable extent been turned around.

Certainly American artists are the equal of any in the world. And through joint funding of projects, we have been able to begin to showcase American artists. Works by American authors are beginning to be performed by American actors, supported by the works of American composers, and performed by American musicians. From these efforts we are beginning to develop works that will surpass anything that public television has acquired from foreign sources.

Public television can create a whole new audience for the arts--a new group of patrons for the artist. It can bring vigor and new life to the arts. And to that all too frequently ignored or overlooked group--the people--it can bring a whole new level of experience, a true understanding and enjoyment of a broad spectrum of the arts.

We will be putting our artistic heritage within the reach of all of our country's citizens. We can touch rich or poor, city or country, North, South, East, or West. Cuts in funding of these efforts will have a profound affect on the lives of all Americans that will go far beyond anything most people ever imagined. We cannot allow this to happen.

Henry J. Cauthen
President and General Manager
South Carolina Educational Televison Network

TESTIMONY OF JOHN E. FROHNMAYER
CHAIRMAN, OREGON ARTS COMMISSION
TO THE HOUSE SUBCOMMITTEE ON INTERIOR APPROPRIATIONS

Mr. Chairman:

It is an honor to be able to come before this subcommittee.

In 1965 Oregon had no Arts Commission. In 1967, a group of citizens proposed legislation to establish the Oregon Arts Commission "as a receptacle for federal funds from the National Endowment for the Arts."

Over the years both the public and legislative support of the Oregon Arts Commission have grown. In 1975 the grant funds appropriated by the Oregon legislature were approximately $100,000. In 1979 those funds grew to $350,000. The sums are still miniscule, but the trend toward greater State support for the arts is clear. Equally clear is the conclusion that the Oregon Arts Commission never would have come into existence without support from the National Endowment for the Arts.

Citizen support for the Oregon Arts Commission has grown to such an extent that, for the first time in my memory, the Arts Commission has received a warm reception from the legislature and those comments about wanting more representational art in the Capitol and the attacks on the Arts Commission as being superfluous are no longer being made.

A fifty percent cut in the NEA budget would be disastrous to Oregon. It would mean the loss of two-thirds of our grants funds. It would spell the end of the Artists-in-the-Schools program, and it would mean an additional loss of approximately $800,000 per year in grants which came directly to individuals and organizations in Oregon from the NEA.

Members of the Oregon legislature have indicated a desire to pick up this slack, but the money is simply not available. Budget projections in Oregon are the worst in 22 years. What I would ask, therefore, is that if we must all tighten our belts we are happy to do so; but a fifty percent cut is not belt-tightening--it is a tourniquet around the waist.

There is a definite domino effect from the loss of federal dollars. When the NEA gives a grant to an organization or project, that serves as a Good Housekeeping seal of approval for that project. It is infinitely easier to attract corporate and private funds when the National Endowment has evaluated and approved a project. Private support for the arts in my state has grown over fifty percent in the last three years. Such private support would simply not have been there without the catalytic effect of National Endowment dollars.

In many ways Oregon is a rural state. Art in the outlying areas is possible primarily by bringing in artists and groups from more urban areas. For example, the Portland Opera tours to Bend, Klamath Falls, Medford and other areas around the state. If NEA funds are cut, the opera likewise will cut its touring since the remaining dollars must be used to present its regular season.

Similarly, the Western States Arts Foundation, one of the eight regional agencies supported by the National Endowment, has provided substantial support for touring the performing arts, especially dance, in our area. Should you have any question as to the success of this program, I simply refer you to the case of Enterprise, Oregon, a town of 1,700 people. Through support from the Oregon Arts Commission, the NEA and local sources, the Moscow Folk Ballet played to an audience of 1,300 people in this town. That in itself is impressive enough, and let me add that the performances were on the first weekend of hunting season. As every self-respecting elk knows, the safest place to be on the first weekend of hunting season is downtown Enterprise.

In 1980, attendance at Oregon arts events totalled over 5 million. That is twice the population of the state and represents a 61 percent increase in three years.

Moreover, the states as a whole have made tremendous strides in funding for the arts. The National Assembly of State Arts Agencies reports that state appropriations for this current fiscal year were approximately $111,000,000. That is over forty times the amount of dollars appropriated in 1966 when the Endowment was new. And, over twenty states have One Percent for Art programs to enhance new state buildings. But a major cut on the national level might signal cuts by the states just as increases in national funding have precipitated increases in state funding in the past. If we are a civilization rather than just a collection of people trying to survive, then the very few dollars you are dealing with out of the federal budget could not be better spent than to promote the soul, the spirit, and the heritage of this country through its arts.

Let me just mention two programs which are on the endangered species list: Artists-in-the-Schools and Folk Arts.

1. The Oregon Artists-in-the-Schools program has received about $89,000 per year from the National Endowment. With that money, which has been matched three or four times from private sources, the program reaches approximately 280 Oregon schools and 117,000 children each year. Since the school districts in Oregon provide only about one art teacher for every 5,000 students, the only arts experience many children receive is through the Artists-in-the Schools program.

This program has been so successful that many communities have undertaken to administer the program themselves and, with the assistance of the National Endowment for the Arts, such notable organizations as the Oregon Shakespearean Festival in Ashland have brought more than 20,000 students to Ashland for performances and workshops. Additionally, young audiences, again through the support of the National Endowment, provided approximately 285 performances and workshops reaching 48,000 students in Oregon last year.

Nationally, the Artists-in-the-Schools program in 1979 employed 4130 artists who reached a total of 1,780,000 students. This program was the largest single employer of artists in the country.

2. The Folk Arts program in Oregon has been supported by the National Endowment over the past four years. From this program we have documented such diverse cultural traditions as the Russian Old Believer community in Woodburn and the oral myths, legends and traditions of the Coquille Indians on the Southern Oregon Coast. A culmination of this program is the exhibitions entitled "Webfoots and Bunchgrassers: Folk Arts of the Oregon Country" which was displayed in the Renwick Gallery of the Smithsonian Institution here in Washington until a month ago. Oregon's rich cultural heritage is fragile and quickly disappearing. The Folk Arts program is perhaps the only way it will be preserved and without at least minimal NEA support, the Folk Arts program will not survive.

Let me close by simply telling you of yet another National Endowment success story, this one being a film entitled "Luther Metke at 94". In 1978 several film makers obtained a $12,000 grant from the National Endowment to make a documentary on Luther Metke, one of the pioneer log cabin

76-703 0 - 81 - 13 (6b)

builders in the Oregon Country. The film is beautifully put together with artistic photography and an orginial dulcimer score. The film captures the spirit and poetry of a man who, at age 94, is still swinging an axe to build log cabins. The film expresses his philosophy, his religion and the richness of his life. The film has been shown on national television to an audience estimated at four million. It has been nominated for an Academy Award, and the total cost of the film including a $5,000 NEA follow-up grant was approximately $17,000. The government of this country could not have made a better investment.

Testimony of Patrick Sweeney
Representative of the State of Ohio Legislature,
6th District
Before the House Appropriations Subcommittee
Interior and Related Agencies,
Washington, D.C.
March 25, 1981

Members of the Committee:

My name is Patrick Sweeney and I am a member of the House of Representatives from the State of Ohio, District 6, in Cleveland. I am delighted to have this opportunity to speak to you today about the arts, and the importance of the National Endowment for the Arts, our federal agency.

Recently, we heard that the NEA budget would be cut by 50%. This represents a cut more severe than the cuts to the majority of Federal agencies. The severity of this cut will have a vast impact on the arts in this country for years to come - - both financially, and philosophically. Every state, including Ohio, will suffer dramatically in its efforts to bring the very best of the arts to its citizenry. If the 50% cut remains, we shall begin to be known as a country which entered the "dark ages", while the rest of the world continues to encourage and develop their arts in an enlightened way.

Back in 1965, when there were very few state arts agencies, the NEA provided seed monies, and acted as a catalyst for support of the arts on the state level. The NEA assisted the states in matching Endowment funds, and becoming more independent in their efforts to support the arts. While there was no support for the arts in some states, many other states began demonstrating to their respective legislatures that if the Federal government was going to back the arts movement, why shouldn't they. Sixteen years ago, the United States was lagging behind Canada,

Europe and Eastern Europe in terms of supporting the arts. It was a sad state of affairs. The most technologically and fiscally sound nation on earth was not lending support to its arts and humanities.

Culturally starved citizens who needed and wanted the arts began to support their state legislators who supported the arts. The budgets in most states began to grow. State arts agencies began to build audiences, place artists in the schools, operate dance programs through the NEA's Dance Touring Program, and establish themselves into professional agencies that could serve the broad needs of their publics. Local arts agencies, museums, orchestras, and others began to see that the arts needed increased support if they were to survive and grow. Today the combined budgets of state arts agencies in the United States total 112. million dollars - - and they are still growing. Four years ago in Ohio, our budget was approximately 1.2 million dollars per year. Today the Ohio Arts Council budget is 5 million dollars per year, and the request for next year is 9 million. There has been a growth of 450% over the last four years. Our support network now includes funding for major arts institutions, individual creative artists, local community arts agencies, minority arts, etc. Last year our Artists in Education Program received under 80,000 dollars from the NEA; yet our state budget match was over 250,000 dollars. Endowment seed monies such as this, have encouraged the development of support for touring, which enables performing arts groups and literary artists to spread their talents across Ohio in areas where the arts never before existed. Because of Aid to Individual Artist Fellowships awarded directly to Ohio artists, the customary exodus of creative talent to the East and West Coasts has been stymied. Artists are staying in Ohio to produce their work. The arts in Ohio are alive and well - - and growing. Ohio is now trying to pass a Bill that would support the construction of new cultural facilities, and provide funding for capital improvements to existing structures.

Not only in Ohio, but all across the nation, convention centers and state departments of economic and community development use the state arts agency as a drawing card for industries and new businesses. Corporations and foundations have begun to support the arts more generously. Why? Because the NEA acted as a catalyst when we needed support. The NEA - - to the tune of 6 million dollars per year - - continues to support our institutions independently of the state arts council.

The economic impact of the arts makes the NEA one of the most practical agencies in the Federal government. They don't merely give away grants - - they provide funding to organizations so that more monies can be raised. They support a labor intensive industry. They assist communities and arts organizations everywhere to become more independent as they grow, and they encourage an open review system that few agencies in this country can duplicate.

The Endowment's good management -- and the splendid results of this good management -- represents a sound investment. Consider these figures for a moment:

(See Chart #1 and Chart #2)

The tremendous growth of the arts in every state needs to be supported. Our symphonies, dance companies, and our individual creative artists, must be supported. They cannot be abandoned. Ladies and gentlemen - - let's be practical. This country can be as strong as it wishes to be fiscally, but it cannot abandon the arts. The arts are essential to a full and healthy life. The Arts are the Soul of this Country.

Chart #1

1979	BASIC STATE OPERATING GRANT AND STATE/NATIONAL PRIORITIES	STATE APPROPRIATION	PERCENT OF APPROPRIATION
California	$503,190	$1,390,778	36.180%
Illinois	$399,880	$2,202,300	18.157%
Massachusetts	$378,250	$2,700,000	14.009%
Michigan	$364,810	$5,024,100	7.261%
Minnesota	$388,985	$2,443,200	15.921%
Missouri	$411,380	$2,530,768	16.255%
New York	$699,210	$32,181,000	2.173%
Ohio	$414,085	$ 2,531,200	16.359%
Pennsylvania	$412,350	$2,585,000	15.952%

Chart #2

1980	BASIC STATE OPERATING GRANT AND STATE/NATIONAL PRIORITIES	STATE APPROPRIATION	PERCENT OF APPROPRIATION
California	$513,910	$ 7,891,108	6.512%
Illinois	$399,655	$ 2,246,300	17.792%
Massachusetts	$375,285	$ 2,300,000	16.317%
Michigan	$429,210	$ 6,075,500	7.065%
Minnesota	$385,320	$ 2,844,600	13.546%
Missouri	$397,265	$ 2,530,768	15.697%
New York	$669,950	$33,285,400	2.013%
Ohio	$424,330	$ 4,708,783	9.011%
Pennsylvania	$410,765	$ 2,594,000	15.835%



The Arts Council of San Antonio
201 North St. Mary's
San Antonio, Texas 78205

512/224-5532

TESTIMONY BEFORE THE UNITED STATES HOUSE OF REPRESENTATIVES, APPROPRIATIONS SUB-COMMITTEE ON THE INTERIOR, MARCH 25, 1981 JOSEPH R. KRIER, VICE-CHAIRMAN, ARTS COUNCIL OF SAN ANTONIO.

My name is Joseph Krier and I am the Vice-Chairman of the Arts Council of San Antonio. Professionally, I am a partner and trial attorney with the San Antonio firm of Groce, Locke, & Hebdon. I would like to underscore that I am not an artist, an administrator in the arts area, nor an elected official dealing with arts programs. Rather, I like thousands of other Americans, am a private citizen who is concerned enough about the role of the arts in our society to commit some of my time, money and effort to this critically important part of our national life.

I am delighted to be here today on behalf of the Arts Council of San Antonio, a council which has received national recognition for its innovative and expanding role in support of the arts in my community. I am also delighted to be here as a representative of the State of Texas. Texas has experienced in the past ten years a dramatic increase both in public interest and support for the arts. Much of that awakening, in San Antonio and in Texas, is due to the catalytic effect of federal support of the arts, specifically through the National Endowment for the Arts, the National Endowment for the Humanities and the Institute for Museum Services.

As a result, we are deeply concerned over the substantial adverse impact of the Administration's proposed budget cuts in this area.

Those of us who are involved with the arts in San Antonio share the desire of the Administration to bring inflation under control. We are keenly aware of the problems inflation has created for our cultural institutions and arts programs. Unfortunately, however, the current federal commitment to the arts represents such an insignificant portion of the federal budget that even if funds were eliminated entirely they would not help reduce inflation. Indeed, the budget deficit would only increase as a result of massive unemployment among the nation's creative and performing artists, who necessarily depend upon the financial stability of our cultural institutions.

In San Antonio, as in the rest of the nation, funds provided by the National Endowment for the Arts represent less than 5% of the budgets of our cultural institutions. Insignificant as this may seem, this modest federal commitment has been a key factor in unlocking increased financial support at the local level.

Perhaps no city in America provides a better example of what can be accomplished with modest federal support

in stimulating the private sector. The foundation of our city's current growth and economic prosperity is due in no small measure to a federal commitment in the 1930's to convert an open ditch into the San Antonio Riverwalk, now considered to be one of the finest examples of urban design in America. Turning the ugly into the beautiful has been a continuing concern of the arts and the people of San Antonio, not unlike Tennessee Williams' character, Blanche Dubois, we have "always depended upon the kindness of strangers." San Antonio today is the nation's 9th largest city. Unlike Houston, Dallas, Chicago, New York or Los Angeles, we do not have the large concentrations of individual and corporate wealth to endow our arts and cultural institutions. Are the 1,000,000 people of our city to be denied the right to experience their cultural heritage because Exxon is headquartered in Houston rather than in San Antonio? Are the people of San Antonio to bear the full cost of maintaining cultural institutions which attract more than 1,000,000 visitors a year from every state in the nation? Is our city government, which already provides over two dollars per person in arts support, to increase its funding, while the federal government reduces its share to less than thirty-five cents?

It is clear the Administration believes the federal

government has a role in the support structure for the arts. However, the Administration has suggested that federal support has adversely supplanted private giving. This rationale for cutting the budget of the National Endowment for the Arts is fallacious. It presumes a potential level of private support that does not exist.

If enacted, the proposed cuts for the National Endowment for the Arts would have the most serious consequences for the Arts and the people of San Antonio. Every arts and cultural program would be affected. Past experience leads us to believe that such cuts would probably mean a direct loss of over $500,000 in public funds and an additional $1,500,000 in private matching funds. The city's major professional institutions would find themselves in a financial crisis of major proportions. Many of the more than 100 community arts organizations who receive services from the Arts Council in administration, accounting, communications, planning, marketing and financial development would no longer have the management tools necessary to survive. Many of the smaller organizations who receive grants from the Council, and who last year raised seven dollars for every one dollar in NEA support, will not be able to compete with larger institutions in the private sector. Programs which have been developed over the last decade to reach new audiences, minorities and special constituencies

will be drastically curtailed. Admission fees will have to increase by more than 100 per cent in the first year, just to avoid bankruptcy. Such a result will hardly be conducive to reducing inflation.

The San Antonio Symphony, which is the oldest and largest performing arts organization in the city, will be forced to cut back its program of student concerts and free public performances. Musicians who, after years of training and service, earn $10,800 a year, will be asked to make further sacrifices.

The new San Antonio Museum of Art, which opened this month to national acclaim, will be forced to curtail its exhibition program, staff and outreach activities. Thus, the region's major new cultural facility, just to remain open, will find it necessary to charge fees which will deny admission to a substantial portion of the public it was intended to serve.

The Society for the Performing Arts, which was created by the Arts Council to bring major national and international artists and performers to the city, could not have brought to San Antonio such groups as the Joffrey Ballet and Alvin Ailey Dance Theatre without the support provided by the NEA Dance Touring Program. The proposed cuts will make it unlikely that such performances could be continued in the future.

The Carver Center, our city's major arts institution serving the black community, will be unable to provide residencies for many smaller companies, such as Merce Cunningham, Inner City Cultural Center and other artists whose work has been seen in San Antonio for the first time through the assistance of the NEA Expansion Arts Program.

Our city's Hispanic artists, who formerly had to perform in the streets or paint on barrio walls, will find their dreams of a new Hispanic Cultural Center unrealized.

These are only a few examples of how the proposed cuts will dramatically impact the arts and cultural life of San Antonio. Federal support for the arts has made it possible for people in San Antonio and in other cities, towns and rural areas throughout America to have an opportunity to experience great performances and exhibitions--for the first time--and to become personally involved in the cultural life of our nation. These opportunities simply did not exist for most Americans prior to the creation of the National Endowment for the Arts in 1965.

The major contribution made by the National Endowment for the Arts to our cultural life has not been

the number of performances, exhibitions and programs it has made possible, but rather its role in expanding the support base for all the arts in America. Increased access to the arts has led to more personal involvement and more support from a larger number of individuals, corporations, foundations, city, county, and state governments.

Contrary to the Administration's position that increased federal support has lessened contributions from the private sector, it is clear that private support has increased as a result of federal support. During the past five years in San Antonio, while National Endowment for the Arts funds increased by 45 per cent, corporate support increased by 400 per cent, individual contributions by 100 per cent, and contributions from city government by 300 per cent. Thus as a share of total revenues, federal support actually declined during this period by 25 per cent.

Clearly, federal support has not decreased private initiative. What it has replaced is the level of contributions made by the artists. As a result of federal support, the musicians in the San Antonio Symphony now face only 16 weeks of unemployment rather than the 22 weeks they faced in 1970. Actors and dancers who formerly had to go to New York to seek jobs now have opportunities for professional employment in San Antonio.

As a result of more commerical galleries and a more knowledgeable buying public, individual artists who formerly had few outlets for sale of their work now have a better chance of supporting themselves and their families.

Unfortunately, the Administration's position with regard to federal support is based upon a myth. It is the myth of the individual arts patron. This myth suggests that the arts have been and might once again be supported solely by some wealthy individual or perhaps a corporation or foundation which takes an interest in a struggling artist, a dance company, museum, orchestra or theatre. This myth pervades the media and the history of the arts to the extent that many artists and institutions have come to believe it themselves. There have been and will continue to be a small number of private patrons who have the financial resources and inclination to contribute to the arts, donate paintings to museums, or leave bequests to cultural institutions. However, these donors provide only a miniscule portion of the total revenues necessary to sustain the arts in this country. It is no more realistic to suggest that private patronage will sustain our public arts institutions than to suggest that a contemporary Andrew Carnegie will reappear to support our nation's public library system. The reality is that the arts in America are held together

by a loose patchwork of small contributions, subsidized admission fees, grants and endless fundraising activities. There is not a director of any arts organization in America that doesn't spend more time worrying about fundraising than about art.

If there is a patron of the arts in the United States today, it is the network of over 2,000 local public and private arts agencies. These agencies work on a daily basis with their cultural institutions, community organizations, artists, local governments, business firms, corporations and foundations to sustain and increase financial and community support for the arts at the local level. Collectively, these agencies, with their local organizations, state, regional and federal agencies help raise over $1,000,000,000 annually to keep the arts alive in America.

The Arts Council of San Antonio is only one local arts agency which has been assisted in its work by the National Endowment for the Arts. At a crucial period in our development, NEA support was responsible for keeping the doors of our agency open. As a result of one $25,000 grant, the Council was able to continue its programs and has since emerged as one of the nation's leading arts agencies. Since 1975, NEA grants

to the Council totaling $307,000 have stimulated increased public and private contributions for the arts in San Antonio by more than $10,000,000. The cuts which have been proposed for the National Endowment for the Arts would entirely eliminate federal support to local arts agencies. The cuts would also eliminate the regional representatives who provide the major communications link for local arts agencies with the N.E.A. Such results would have a catastrophic impact on our work.

Federal support has been meaningful because, like the Biblical loaves and fishes, it has been multiplied many times over by private, corporate and local government funds. Continued significant funding is vital. Whatever cuts are necessary must be both reasonable and phased so that they may be absorbed in a way that will minimize their adverse impact.

Our Federal government currently provides less in direct support for the arts than any other civilized country in the world. It has been a small cost indeed for the maintenance and expansion of our nation's rich cultural heritage.

76-703 0 - 81 - 14 (6b)

COMMUNITY OF ARTISTS

WITNESS

SHIRLEY TRUSTY CORERY, SUPERVISOR, CULTURAL RESOURCES, NEW ORLEANS PUBLIC SCHOOL DISTRICT

Mr. YATES. We will hear next from Shirley Trusty Corery, Supervisor of Cultural Resources, New Orleans Public School District who has to catch a plane.

Ms. COREY. Thank you very much.

I appreciate the opportunity to speak. It really has been a very marvelous day and as I have listened all day long and at this particular moment following big business, which I do not represent; following a whole world of talented artists, I am not one, I wonder what I can possibly say in this testimony that is appropriate and can provide any kind of new insight to anything that has been said.

I would like to say that I think I represent the other side of the coin, the recipients and individual citizens and arts administrators in the public school system. All day long I have been listening to the testimony and evaluating what is my own community in New Orleans which is quite a charming city in itself, it is enhanced by the fact that the arts are a very vital part of it and I can turn to all of the cultural organizations in our city from the symphony to the opera to the lower Ninth Ward to the contemporary art center and to many, many others who have all been enhanced by the role of the National Endowment.

The one message I think that I would like to share this afternoon that perhaps might provide some new affirmation to that which has already been said is looking at the case study of one public school system and seeing if that also is part of this large fabric of the catalytic role that the Endowment has. I will tell you that the answer is going to be yes in case you think there is any suspense about it.

However, let me say that we are approximately the 30th largest public school system in America. We are an 83 percent black population school system. We have about 86 percent of our children on the free lunch program. We are not a rich school district yet we have been able to make the arts a part of what we are about because we find it essential to that whole balance of what everyone in this room has been talking about all day, the quality of life in school districts where the arts are not considered a main priority.

We have been enriched by the Endowment through a variety of programs specifically through the Artist in the School Program now known as the Artist in Education Program and I have been so pleased to hear so many speakers referring to that this afternoon because I do think that that is the heritage of what we are going to have to offer for the future, it is where our future audiences are coming from, it is the kind of commitment that we are building to civilization when we offer that to the young. I have seen children—not hundreds of children but thousands of children—over a long period of time.

I have been for 12 years in this particular job and I have had support from the Endowment from the beginning. We opened our high school of the performing arts with assistance of grants from

the Endowment that brought in visiting artists that set a certain standard for what the role of the arts should be. We have had artists interact with our young people and therefore they have been able to see better and to hear better and open their ears and thoughts and imagination and minds in ways that they never would have been done before.

To me if we had to put a theme on what has happened today, it seems to me the greatest topic of conversation is one now called the Significant Dollar because that is what this whole NEA support has been about, the significant dollar. I really don't think that anyone in this room, and hopefully any members of the committee, could find any other aspect of government where the dollar has had greater impact because over and over again we have had the testimony of how it was matched and double matched and triple matched and became the seed, the leverage, the catalyst, the trigger. The words flow on and on and on today in a very lovely pattern.

I just would like to share with you our own little school system. I can assure you, because it has happened every year for the last 10 or 12 years, if I put a $10,000 line item down in my budget, I don't get it; but if I put a $10,000 line item down for NEA match, I get it, and I have. I represent one school system of 17,000 school districts in this whole United States and I am not atypical, it is happening over and over again.

I just would like to leave with saying I am going back to budget cuts and preparation in my own school district. I sent a letter out several weeks ago based on the Artist in the School concept. Our schools have become so accustomed to the Artist in the School concept that they certainly don't even begin to meet our needs in this area but they have loved the impact that the artist has brought to that individual school and now we have had so many individual schools that the great underground of the teachers and the parents and the children have started spreading the word and something very extraordinary is happening out there, the same thing I hear happening all across the country, and that is that the little bit of money that the Endowment has put up has made such a significant impact that it is generating much, much more money than it has put out and most significantly it is also generating another kind of attitude, and you cannot put a value on that kind of impact.

My poor school district is willing to put up from individual schools—not all of them, not even 50 percent of them, but a significant percentage of them are willing to take money out of their cake sales, their football games, some small tax leverage money that we have now for the the first time in 15 years and help put up money so they can have in this particular case a visual artist in the schools. Now I find that absolutely astonishing and I can assure you it would not have happened without the NEA seed.

I will close with saying that many years ago the Endowment helped us and helped set a standard for our high school of the arts and helped us to bring artists in in that people impetus to both faculty and teachers to many young people who have made their mark in the arts. One of the young men who graduated from our school of the arts and then went on to Eastman School of Music

under a scholarship and has received many national awards was just hired back by our school district under jazz artists in the school grant and we are thrilled to have him. I have seen it come full circle in such a short time. Now the district paid for the school and it will continue to do it but the role of the Artist in the Schools has been helped through the Endowment and we are most grateful.

Thank you for this process of being able to share this with you. I really hope that we will all have the chance to grow and continue to grow because there is a beautiful momentum out there and the dollar support that the House and the Senate can give the arts is truly going to make it significant.

Mr. YATES. Thank you very much, Shirley. That was a good statement. Have a safe trip home.

Ms. COREY. Thank you.

ART MUSEUMS

WITNESSES

RICHARD OLDENBURG, DIRECTOR, MUSEUM OF MODERN ART, NEW YORK
BUDD HARRIS BISHOP, DIRECTOR, COLUMBUS MUSEUM OF ART
ROBERT MONTGOMERY SCOTT, PRESIDENT, PHILADELPHIA MUSEUM OF ART
TED COE, NELSON GALLERY, KANSAS CITY

Mr. YATES. We have three listed here and there are four present. Who is the bonus?

Mr. COE. The bonus is Ted Coe, Nelson Gallery.

Mr. YATES. Is that gallery in Kansas City?

Mr. COE. Yes, sir.

Mr. YATES. Beautiful Oriental art, is that right?

Mr. COE. Yes.

Mr. YATES. Mr. Oldenburg.

Mr. OLDENBURG. Richard Oldenburg, Director of the Museum of Modern Art, New York.

Mr. YATES. Why didn't you bring Sema Clausi with you?

Mr. OLDENBURG. He is out in Las Vegas at the moment.

Mr. YATES. Go ahead.

TESTIMONY OF RICHARD OLDENBURG

Mr. OLDENBURG. I would like to begin, if I may, by adding my thanks to those already expressed to the subcommittee and to you, Mr. Chairman, for the attention you have given today at a time when we have all had reason to fear that funding for the arts would get lost in debate over far larger sums. I think it has been really very comforting and encouraging to all of us to see the care and thought that has been applied to these matters of serious concern to us.

If anyone doubts it, I can assure any member of this subcommittee that anyone associated with museums shares the general feeling that efforts are needed to control inflation. Museums are particularly vulnerable to inflation. We have very high fixed costs in guarding our galleries and caring for our collections. These costs cannot be passed on without making admission fees absolutely prohibitive, so we know what inflation means to us.

If the price of efforts to control it is in the current most popular metaphor "belt tightening," we will have to accept that and will do our part. However, I think it has to be noted that we feel the belt is awfully tight right now. Mr. Abravanel said this morning that we ought to be careful that the belt is not tightened around our hearts and souls. I am afraid that Toni Morrison may have been closer to the truth when she said we better be careful it is not tightened around throats rather than our waists.

With all of these needs for sacrifice it seems very difficult to justify on economic grounds or even to accept in some mode of self-sacrifice a cut as drastic as the one that has been currently proposed for the NEA and as well, I might add, for other programs affecting the art and art museums among them. Applied to the present level of arts funding which is already modest and very small in the context of the overall budget, the cut on the order of 50 percent will have an impact on the arts community far out of proportion to any impact on the budget or the national economy.

On economic grounds it seems very clearly excessive and quite unfair. However, the rationale given for proposing reductions of this magnitude is not really economic. We are told that Federal support should be substantially reduced to reverse a perceived trend, that the Federal Government is being seen as the financial patron of first resort for individuals and institutions engaged in the arts and further that this has resulted in a reduction of the role of private individuals and corporate support in these key areas. Finally, it is noted that in this general context funding for the arts is a relatively low priority item. I think these premises are not only deeply dismaying but quite wrong and I would like to take them in turn.

As for being the patron of the first resort, I don't think the Government has ever been nor should it be. For most institutions, as we have heard from other people, the NEA support has amounted at most to approximately five to seven percent of the annual budget. The larger institutions like my own it has usually been less than that except for extraordinary systems like challenge grants. Modest as this is, however, it has been enormously productive and quite essential.

There has been discussion how a large institution is less susceptible to problems because of a small cut to them or some of the smaller institutions. I can tell you this is not true in the case of museums. We have an initial responsibility to cover our necessary basic operating costs, the ones I have mentioned—the care of the collections, the galleries, all that we have to do before we open our doors to the public. When all these are paid there is often very little left, in fact sometimes by that time we are already in a deficit situation.

What this means is that the NEA project grants have provided, along with the matching grants that they have generated, often more than 1 to 1, sometimes 3 to 1, 4 to 1, and that should be the critical margin of support for major museums services. Some of these are less visible than others; they are no less important in terms of the proper responsibilities of the museum. Because these activities are less visible, it is often difficult to attract private

support. Recognition of their importance by an NEA grant has been crucial in developing other funding.

I might add that it is no secret to anyone who raises funds that sometimes private support is not all that eager to pick a particular project solely on the basis of quality, it will have some other kind of appeal. One of the advantages of an NEA grant is that with the peer review process it is picked on that basis, on its importance within the field, and this is enormously important.

A few examples of some of these less visible activities that have been supported by the NEA at my museum, just to give you an idea, are research and conservation techniques, painting restoration, preservation of films in our library, catalogs of the collections, museum internships. We are obviously all very well aware of the more visible activities supported by the NEA which have been essential in encouraging the growth of corporate support. Above all, of course, the special exhibitions ranging from lesser known exhibitions through most recently our great Picasso show in New York.

NEA grants have also supported circulating exhibitions to other institutions and made it possible for us to share our collections with other museums across the country. There also have been programs for special constituencies—for the handicapped, the students, the senior citizens. Finally, of course, challenge grants have helped us substantially to work toward our goal in the major capital way. In sum, without the NEA and the support it has helped us to develop, museums would be very different today, they would be more the passive repositories they were criticized for being 10 years ago than the very active cultural centers offering the pleasure and education to a large and growing public which they have become.

Now we have also been told that these grants have reduced the role of private, individual and corporate support.

Again, as you have heard from many people today, this is simply untrue. The NEA grants have acted as a stimulus, as a catalyst. You have heard the figures of enormous growth which have been cited here. Our experience with museum modern art is much the same. Private annual support for general operations has more than doubled within the last five years in spite of carrying on an active capital campaign. Within that total corporate support has grown more than 300 percent. Corporate support for special projects, often matching NEA grants, has grown from virtually nothing 10 years ago to almost $600,000 last year.

Anyone familiar with fund raising knows very well the effectiveness with private and corporate contributors of the opportunity to share support with the NEA. It extends the impact of funding, it stretches the grant further to source of prestige to be in a partnership with the Government. It is also a source of reassurance and confidence that a project is worthwhile. I was glad when Mr. Saunders of Philip Morris mentioned an enormously important area for any modern museum the fact that NEA grants are particularly significant in the area of contemporary art.

It is ironic to look back and remember that when the whole question of Government funding for the arts came up one of the potential criticisms was that this funding might be too safe and

conservative and would inhibit the presentations by museums. In fact, of course, the effect has been quite the opposite. The NEA has led the way in sponsoring and helping us to put on contemporary art whereas the private sector has been more attracted to the safer historical shows. The NEA grants have been crucial in persuading more and more to take these risks.

In sum, there haven't been any reductions, quite the opposite, from the NEA. Yet we are asked to believe the private and corporate sources could replace the Government aid if it were withdrawn, so I think we have worked too hard to build the resources on which we are drawing now to believe that we have left too many of them untapped.

There will also be far greater stresses on the corporations and the foundations to compensate for reduction in other services. I will tell you frankly that we are already hearing now, whether in truth or as an excuse, from corporations and foundations that they are being beseiged with new requests and that they want to reorder their priorities with the strong implication that the arts might be reduced in that priority list.

This brings me to my final point, the statement that art support is a low priority. As a practical matter I think that this kind of statement, if accepted, could really be devastating. If the Federal Government thinks this, what will be the effect on the others? The States as well as the corporations when we have seen the major growth in State support from the figures cited for $2.6 million in 1966 to $110 million today, how are we going to tell our State legislators that we think this is as important as we have tried to persuade them it is if the Federal Government clearly shows that they don't think so?

Also in the corporate world I think we should recognize that art support is more fragile than it may have appeared from some of the testimony today. It has been hard to extend the range of companies prepared to give to the arts; it is safer to give to education and other philanthropies, there is no controversy and shareholders will accept it with greater ease. I am afraid that some of these corporations, much less the ones that we have not been able to lure out, may accept the lead from the Federal Government for some relief even and draw back and go back to the safer sources.

It is particularly serious that this should come at a time when museum needs are growing and will continue to do so. In part this is a result of the larger public that we built. The rising attendance means additional costs, demands for services, demands for greater space. Also, we have new provisions, very proper but expensive, for special constituencies like the handicapped. We also have to worry about the care of our collections which are, after all, the treasures of our country, the pride of our museums, in view of rising fuel costs and the necessity for climate control.

Finally, the rising costs of exhibitions of which we are well aware. I hate to think of what a show like Picasso or Lacsusan or Tutankhamen will cost five years from now, and in fact it probably won't be put on. In sum, I think we very badly need the mix of support, not a reduced support from the Government. Perhaps in the current context it is not possible to see it raised but that mix of the private and the Government to share the burden with none of

them predominating I think is absolutely vital to the health of the arts.

I must say in conclusion that I find it ironic that we should really find ourselves back where we were years ago having to defend the concept of Federal support for the arts. It is ironic because in the last 10 years with the enlightened support of the NEA the arts have not only flourished but they have developed a long, successful track record in creative accomplishment to public service. It has been highly cost effective, serve a large public at a very low cost. Stimulated local economies generated many times the investment in new and additional support.

In terms of the old-fashioned virtues now being extolled, where more than in the arts community can you find general examples of some of those virtues, of self-help, initiative, dedication and, God knows, parsimony. These qualities should be rewarded, not penalized; in fact, they should be prized for the inspiration the arts can give in adverse times, perhaps even more so in the good times. While the Government continues to support industry, agriculture and other vital areas of our economy with special incentives, I think it would be odd—if I may be forgiven, I think it would be rather shameful particularly in comparison with other developed nations if we assign a far lesser priority to the arts which do so much to form and represent our national spirit and character.

Thank you, Mr. Chairman.

Mr. YATES. Thank you.

Mr. Bishop.

TESTIMONY OF BUDD BISHOP

Mr. BISHOP. Mr. Chairman, I am Budd Bishop, the Director of the Columbus Museum of Art in Columbus, Ohio.

Recently Time magazine in assessing the future of President Reagan's proposed cuts mentioned that the cuts for the NEA would probably be partially restored due to the efforts of the most articulate lobby in the Nation, and I sincerely hope that is true. From what I heard today I think that may be indeed the right appellation for this remarkable assortment of people, and I feel honored to be among them, to be able to tell you how I feel about this program.

In fact, the most remarkable thing I heard today was that the NEA has, with what I consider to be rather meager funding, been able in the 15 years of its existence to touch nearly every institution, every individual artist and every person in this country and it is amazing to me that nearly any museum director in this country could be here at this panel today to give you an incredible history of NEA support that has contributed in some way to the remarkable growth in the institution it represents.

Former Governor Dixy Lee Ray though in an address to the American Association of Museums in 1977 said: "Don't forget that in public funding, and I am sympathetic to your cause, in questions of concern and public funding and during pressures on the budget the arts will always be the first to go." That was engraved in my soul in 1977 and I had hoped it was not true because in increased funding over the years the NEA seemed to assure that this very healthy support from the Government in a minor partnership would continue in the catalytic role it has played.

Something that has not been brought out today is that the NEA is not supporting the arts to the degree that they need that dollar to survive. The NEA is involved in research and development and the moneys that the Federal Government has committed through the NEA have not so much kept institutions like ours alive but have permitted them to conduct those programs that would ordinarily not be funded for one reason or another. It is the same thing as giving a doctor who has only an idea that he might be able to solve a disease the opportunity to see if he can. The other fact is that although we are all here speaking from the arts today the issue here is not a single constituency issue. Just because we represent the arts in a primary way does not mean we are not representing the majority of the U.S. citizens in terms of asking for the Federal Government to retain a role in the arts.

I would like to speak directly to a question from Mr. Loeffler before I make some of the remarks I prepared, and I do have a prepared statement which should be entered in the record.

The question of the amount of the cut and whether it is crucial or not and whether a 50 percent cut which is half of two percent of our organization's budget really represents something that we cannot absorb. I think that the real issue here is that a 50 percent cut in the NEA is going to cause a drastic revision of the entire cast of the programs in the NEA and where there may be fewer dollars I think that in order to keep the programs viable some programs will continue to give grants in the amount they have and others will disappear all together and that could be a tragedy because the NEA's greatest role in my opinion has been to set national priorities in the arts, not to fund them and not to be the first resort for funding but to say it is imperative for museums to conserve their collections and we will fund those efforts rather than other activities that can be funded at the local level and that are properly funded at the local level.

I would like to tell you that I represent a mid-sized museum and I am sitting here among giants. Columbus, Ohio is the premier test market for new products in the United States which is another way of saying that if it will go in Columbus, it will go anywhere.

Mr. YATES. I thought it was Peoria.

Mr. BISHOP. It is Columbus. That's our main claim to fame.

Our museum has a budget of only $1.25 million a year, 60 percent of which is raised annually from the community, 68 employees and 700 hard-working volunteers. I haven't heard enough credit today given to volunteers and how much in dollars they contribute in time to museums. I want to set modesty aside and say that no museum in my knowledge has done a better job in the last four years of correcting all of its financial health problems than ours has in the past four years and it is significant that we did this with the challenge grant from the NEH but supported by the NEA.

We balanced the four year budget while paying off a $400,000 debt, raised $3.5 million for our collections through finances, through cash and gifts and raised more than $1.1 million to match NEA project grants. This is in the community of a million people. We are in very good financial health and we can continue to operate under normal conditions if inflation can be arrested. The issue for us is that the grants made by the NEA are in areas of the

unglamorous projects of digging out the things in the basement and making sure that they are properly protected, seeing that storage areas are properly installed, seeing that security systems are up to standards and the climate control systems are working properly. Those things don't come from foundation funding, they don't come from corporate funding, they come from stimulations of catalytic grants and then money raised from special interests in the community.

The panel system has another merit which may have been stressed here but it needs to be restressed and that is that among a group of my peers in the field I am glad when we get approval of an NEA grant because it informs me, out of touch all together every day in the field, with the fact that we are on track with what is important in this country and abroad in ideas that should be espoused and should be carried out for our citizens.

The other point is that the NEA has said this represents a national patrimony. What these museums hold all together throughout the country should be shared as much as possible and the people in the South should get things that are held by the fortunate cities of the East and the people on the one coast should see what is treasured on the other coast and the grants from the NEA have greatly facilitated this interchange. I would not have it any other way because my museum is the recipient of all this largess. We have things from the Museum of Modern Art and things from the Metropolitan Museum in Columbus, Ohio thanks to the kind of generation of spirit of cooperation that comes from both our own sense of cooperation and from what the NEA has fostered.

I would like to speak briefly to the fact that I am glad today that all of the gentlemen from corporations reinforced what we have found sitting across from the corporate desk which is that the funding is not going to be there in the kinds of amounts optimistically estimated by the administration from corporate sources, and the individual sources in private funding are already strained to the breaking point. Foundations in my experience are redirecting some of their interest to other programs possibly to take up some of the anticipated slack in government spending and we are finding that we have been flat for four years in growth.

Our annual growth rate has been less than $50 million a year net new dollars and we don't get a single gift in that size and yet that is the average annual contribution from NEA for projects for us to fund outside our operating budget. In my concerns the NEA has stimulated my community to drag itself up by its bootstraps to look at its problems and to deal with them up front. A 50 percent cut is untenable and besides it is not big dollars. I think it has been a little argumentative that saving $88 million, and we are talking about billions in other programs, really represents anything more than a punitive cut for the arts because it is easy to do politically. I hope that Mr. Harris is right and it won't be easy to do.

Mr. YATES. I hope he is right, too.

Thank you.

Mr. BISHOP. Thank you.

Mr. YATES. We will hear now from Mr. Scott, President of the Philadelphia Museum of Art.

Mr. SCOTT. I am Robert Montgomery Scott, the President of the Philadelphia Museum of Art, and I am a volunteer in that I am not a member of the staff of the museum, I just spend half my time there. I am also on the board of the Philadelphia Orchestra which adds to my interest. I have served as president of the Pennsylvania Ballet and on the board of the Philadelphia Opera and I am currently a trustee of the University of Pennsylvania. Everything that happened today, I endorse the comments of those who have said so much so eloquently.

I will be very brief, partially as an expression of gratitude to you and to other members of the committee who have heard so much and partially because there is not a great deal that I can add. I would like to summarize by saying that I think there are four things which the National Endowments for the Arts provides. One is it is the leadership which is quite proper for the Federal Government to be displaying in the arts field. Secondly, it is the imprimatur, as you have so rightly said, which provides guidance to other benefactors in the area. Third, it stimulates gifts. Fourth, it provides help for a great many worthwhile projects, many of which we benefited by at the Philadelphia Museum of Art. The leadership, the imprimatur, the stimulation, the support of specific projects fall into another category but they are all very important aspects of the work of this endowment.

I suggest in answer to the questions which have been asked by other members of the subcommittee that block grants will not provide those things. We have also been asked what would happen if we were cut out entirely at the Philadelphia Museum. Probably the most tragic single thing that would happen is we would let go two apprentices and two others who are learning the field of conservation. We have a superb conservation department and we probably would not be able to afford to keep them at all and therefore they would be forced out of conservation work probably for lack of another way of being funded. We have been asked over and over again by Congressman Loeffler could we make it and I think the answer to that is no, we could not make it at the current level, that we could not make up what we have been getting from the endowment.

Much has been said about the corporate side but I can only emphasize that I believe in Philadelphia the individuals' contributions which are the most important are being pushed almost as hard as they can and in the next two years I do not see that we are going to be able to make up the kinds of cuts which are being proposed. And even referring to Bill 501, if that were enacted, and each one of our 17,000 members decided that they would contribute an additional $10, that would give us another $170,000 which would not make up for the kind of loss which is being contemplated by this cut.

Thank you very much.

Mr. YATES. Thank you.

TESTIMONY OF TED COE

Mr. COE. Mr. Chairman, I am Ted Coe from the Nelson Gallery and I came along as a representative of the AAMD, the directors' association. I was asked at the last moment to jump on board here so I am the man who came to dinner, so I again will make it very brief.

Mr. YATES. Good.

Mr. COE. It seems to me that while——

Mr. YATES. I didn't mean to imply anything.

Mr. COE. You gave me one minute the last time, maybe this time you will give me two.

What I want to mention is that nobody really, I think, has addressed what the NEA is—they have addressed what it does, how it funds, how it helps the museums—so in the end of all this I would like to say that the process of the NEA in terms of leadership in the visual arts and museology in this country is really very important. It has gone on now for enough years so that it actually is part of the heritage of the way we do things in the visual arts, particularly in museums right now in this country.

The NEA panels, both the grant panels and the policy panels, are appropriate and possible only at the national level. That answers the question that I think was addressed earlier. It is a different process and there is money at the State level but there is not the same kind of national supervision which concerns quality. That is one of the major forums for sharpening resolve in museums, for exploring techniques that can be new. We are finding out what our purposes really are is really at those panel meetings.

I served for three years on the NEA museum panel and have just retired as the chairman and while I do not miss all the verbiage of those panel meetings nor the Murphy beds you have to stay in and break your neck when you come here, I do very much miss the experience and the sense of exchange and knowledgeability of what the others in my field and my colleagues are doing. It is a high level process and I endorse it simply as a process of leadership in the arts in this country. So I really thank the Government and the enabling appropriations and the NEA staff professionalism which I have found very high for furthering my education as a museum man in keeping myself abreast of the profession that I am a part of and through that participation, Mr. Chairman, I feel a little more sanguine about being the steward of a truly great cultural resource.

If I can make one other comment, and it was really addressed to Mr. Loeffler——

Mr. YATES. I will tell him.

Mr. COE. It is not a question of five percent or 95 percent, it is a question of the weight of where that money goes. For example, if you get money from the NEA through the grant system or support system, you might get a show up under another means of financial support and then you would not have anything to do with it in terms of interpretative programs which tops the whole thing off and makes it possible. You might be able to keep your doors open operationally on that so-called mythical 95 percent you were talking about on the theoretical side but there is that other five percent that makes the exhibition possible, that brings the people, that makes the whole thing meaningful. So it seems to me that it is not a question of 95 percent and five percent, it is a question of weight and where that money goes and that sometime if anyone knows in any endeavor, in business or anything else, it can be that two percent for R&D that puts the whole product over. It is the same thing with museums.

The other thing is, I will mention this and it will be the last thing I will say, I am not so sure that your constituents out there in the hinterlands are that much against the arts. I felt there was a certain shadiness of opinion about that and I would like to mention one thing that happened in Missouri, and I wanted Mr. Loeffler to hear this, too, and that is our former Governor decided—he is no longer Governor—that the easiest thing to cut to get the Missouri budget more in balance would be the State Arts Council moneys and he immediately proposed taking out $1 million of that. We are only the second Arts Council in the country and we have a scurrilous financial budget and that was an awful blackout of it.

He thought he could do this easily. Who had ever heard of the arts? Who had ever heard of the Missouri Arts Council? Who gave a damn? Did he get a lesson taught him—not only at the lobbying level, not at the museum directors' complaining level but right from the grassroots—and that money had to go back in. He was the most surprised Governor that ever was and I hope that is exactly what will happen when this process goes on further in terms of support for the NEA.

Thank you.

Mr. YATES. Thank you, gentlemen. Thank you very much.

Mr. Lomax has to leave. Mr. Lomax, come and sing your song. We are delighted to have you, Mr. Lomax. You have been waiting patiently as have the others and we appreciate your coming before us to speak on behalf of your craft.

FOLK ARTS

WITNESS

ALAN LOMAX, ANTHROPOLOGIST AND FOLK HISTORIAN

Mr. LOMAX. My name is Alan Lomax. I am a research associate at Columbia University and I spent my life working with the folklife in America.

I come to speak for the constituency that has not been specifically and openly mentioned in the hearing so far, the folk art section of NEA and the expansion art section. I would estimate that the constituency of these sections amounts to something between fifty and one hundred million people. If you add the population of American Indians to the blacks, to the Chicanos, to the people of foreign origin and to the people of Anglo-Irish origin who really formed part of the working class and liked the music from Nashville, we will get about anywhere from 50 to 75 percent of the population.

Now these people are the ones from whom, it seems to me, much of the original culture of this country has come—jazz, the blues, the spirituals, the cowboy songs, the legends on the land, the naming of the land—and yet they are the creators who have been the most neglected. Their creative impulses are under the most severe threat from our highly centralized culture.

We have a culture which for the first time in all history invades every community with a centralized communication system, with a

centralized education system, so that whereas formerly there were bubbles of isolation in which language could grow and in which new tunes could grow and in which neighborhood arts could develop and in which the ethnicities could perpetuate their own cultures, now suddenly in the last 15 or 20 years all of these magical bubbles of cultural growth all over the world have been smashed and the condition is especially severe in our country. I think it is the basis for a lot of the national malaise, a lot of the national feeling of alienation, the old saying you can't go home again because the culture has been broken, there is nothing to go back to. You can't go home again because the old speakers and singers and dance leaders and lovely people and customs have just been wiped out by advertising systems, merchandizing systems and this gigantic commercialized amusement system that has grown up and now begins to overshadow all culture, elite culture and folk culture alike.

Now this country has had a very different history than any other nation on earth, it is the end point of all human migrations. First of all the Siberians came and settled here, then the people from the Mediterranean countries and then Africans and then northwest Europeans and now the whole world has come and we have actually the richest and the most varied of all human cultures but this whole aspect of our life is neglected by our focus and our belief that culture must somehow be national and unified and that we must all be interested in the same sort of thing.

Actually, it is from this extreme variety that our culture represents that our national flexibility had come, not only in a cultural sense, I don't mean in a creative sense, but also in terms of temperament. There has been a temperament and a personality for every job that America has had to tackle and we have accepted all this from this dear working class group of people who came with their bundle of stories and their bundle of tunes on their shoulders and landed here and did the work and opened up the land but we have really not given them back very much.

I can tell you that when this culture is noticed and rewarded the effect is simply incredible. I think I am the first subsidized folklorist, I was in charge of the archival folk song when I was 21, very many years ago, and we had only a pittance of money to do what the NEA is now doing on a fairly grand scale. We recorded, we looked after a few singers, we gave them what we called cultural TLC, tender loving care. We took care of Woody and Ledbelly and a few other people. We introduced the banjo, we had a few radio programs and whatnot, and the result was we had a national cultural revival which you all remember.

Mr. YATES. Are you responsible for all the guitars?

Mr. LOMAX. Well, I was the first one of those. I was the first folknik, yes.

The people that we found there went on to actually start rock and roll. Muddy Waters was one of my finds in Mississippi.

Now we published just a few records.

Mr. YATES. Who is we?

Mr. LOMAX. The Library of Congress.

Our biggest grant was $20,000 a year for total operation. We published a set of records. Those records went to all the schools in

the country and all over the world. They were the first recorded albums of folk music in a classical and authentic sense. From that has arisen an entire recording industry. Those records were imitated everywhere in the world, they became one of America's best ambassadors culturally speaking and they gave rise to an enormous music industry which at one time was one of the largest sectors of the American amusement field. The movement has sort of gone into the valley because the result is that we have folk festivals and folknik players all over the United States but we didn't have the money to do the right job.

We didn't have the money to really get down into the full, rich texture of America's folk variety. We didn't have the money to spend on the Cajuns and on the Mexicans and on the Albanians and on the blacks that we really wanted to. America still remains unexplored. I know from my own recent trips that if we cannot continue to spend this small amount of money on the folk arts that is being spent now we are going to lose this whole heritage, it is a threatened phase of our world. The people who have the best material are now up in their 60s and 70s and 80s and in some cases things have entirely disappeared.

Mr. YATES. It is an endangered species.

Mr. LOMAX. An endangered whole aspect of our national life from which I think much of the health of this country has come. Ours is a Creole culture composed of strains of ethnicities and inspiration from many places. In fact, from my experience as an anthropologist I would say that all the great cultures in the world have been of mixed origin. Athens was like this and Florence was like this and Paris, of course.

Now the problem is how do you get to these cultures with the help? It is a very difficult and specialized job. How do you get the money down to the authentic grassroots and help the real people? The Folk Arts Division has developed a technique for doing this and it has taken about six or seven years. They have developed a special kind of panel with experts. They now have their contacts going all over the country and for the first time there seems to be a home.

Now if at the Library of Congress with our little bit of work that we had $20,000 a year in it there may be two or three million, I don't quite know the amount, but they are reaching out; they have contacts now with 75 American Indian tribes. They are working with Turks, with Serbians, with Mexicans. The oldest play given in America is being supported by them which played again in 1584 in New Mexico. They gave them costumes and the whole town has now come back to support these people.

Not very long ago I went to Georgia to see one of their folk arts programs. Bessie Jones, my old friend and singer from St. Simon Island, was there and she had a couple of our local black leaders taking her through all the public schools of Brunswick and as a result of that all the children in Brunswick can do the ham bone which is an African game. I called up the Superintendent of Schools to find out what they thought about Bessie and her group of teachers of Georgia culture to the local Georgians and they said it was the best thing that they ever had in their schools and they

were going to take her over and make her and her group a permanent part of the thing.

This sort of thing is beginning to happen but it is just beginning. It is just getting started because the expertise is really not out there yet, it is just beginning to be developed.

Mr. YATES. The NEA is helping?

Mr. LOMAX. The NEA.

There are a couple of things that really very much need to be said. The arts are not simply to sit and look at an environment. The arts have to be participatory, they have got to be based in the community itself. Everybody has got to be able to do the arts. If you can't do something in the arts, you are a sick person. If you don't have any stake in the arts, you feel left out, neglected and alone, and incapable. More and more of our people are beginning to assume this passive attitude in front of the tube just receiving the arts and not doing anything about them, not being any more the active culture makers that formerly every single human being was in these community bubbles that I was talking about.

Now the NEA with the help of the Congress and the Smithsonian are doing a little bit about this but I will tell you that if the Government backs out of this now, it is going to create serious troubles for the American future. There are too many Americans that feel they don't have a worthy heritage, there are too many American homes where the children do not respect the knowledge and the abilities and the culture of their parents because it is not the proper fine art culture. There are too many communities where the cuisine and the dances and the local legends have been forced out of the foreground by an imported culture.

All of this is gradually impoverishing our country and it would be a very bitter thing for hundreds of thousands, if not millions, of people if this very exploratory and extremely adventurist program and humane program that the NEA has initiated were to be bent down at this moment. Imagine the audience is 60 million and there is $3 million being spent on this work. What is that, about two cents a person. About two cents a person and I have always felt it was an unfair proportion. I have always teased Bill and Betty about this that they have all the money for the symphonies and I think there is some truth in that.

Mr. YATES. Maybe you ought to affiliate with the symphonies.

Mr. LOMAX. Anyway I think we are about to lose a good part of what has made America a nice place to live.

Mr. YATES. Let's hope it won't happen.

Mr. LOMAX. I hope you people will wipe out this cut for the poor folks.

Mr. YATES. Thank you, Mr. Lomax.

INDIVIDUAL ARTISTS—LITERATURE

WITNESS

E. L. DOCTOROW, AUTHOR

Mr. YATES. Are the literature artists here?

At long last, Mr. Doctorow. I am sorry you had to wait so long. You would think you were a Member of Congress having to sit here all day long like that. We are very glad to welcome you, Mr. Doctorow. I have read the outline and enjoyed it very much. I have not gotten to your new one yet but I will.

Mr. DOCTOROW. Thank you, Mr. Yates.

Mr. YATES. Whatever statement you have in writing may be placed in the record.

Mr. DOCTOROW. The statement is very short. As a writer, I rarely leave two words on a page.

After sitting here all day, I am thinking of writing a novel about Congressmen.

Mr. YATES. Congressmen have been writing their own stores and they have appeared on the front pages of the newspaper.

Mr. DOCTOROW. Kind of an ex-novel.

I sit in a chair and just listen.

I appreciate particularly Mr. Lomax's remarks just now because there is something I had not heard all day from the museum executives and from the opera companies and the various enterprises that come here to testify and I just want to indicate before I say what this is that I think you will find from Mr. Albee and Mr. Price and myself that writers tend to think differently than most people. We find meaning in images and metaphors and stories rather than in statistics and in economic problems.

Mr. YATES. Your gift is much more interesting than theirs.

Mr. DOCTOROW. It is what creates a little dilemma for me personally. I don't know about my colleagues, I don't know if it makes any sense when you come here and testify on behalf of the National Endowment for the Arts.

Mr. YATES. Why not?

Mr. DOCTOROW. Because I have always disliked the phrase 'the arts."

Mr. YATES. What phrase would you prefer?

Mr. DOCTOROW. Well, I will get to that.

Mr. YATES. I will have to wait.

Mr. DOCTOROW. It conveys to me furs and black ties and cocktail receptions and patronage by the wealthy of the work that is tangential to their lives; it is not crucial, it does not put them in awe or dread or some kind of contingent notice but just gives them some sort of self-satisfaction. So the arts have nothing to do with me or with the writers generally, I think, or painters who work alone in their rooms most of their lives and it does not have to do with dancers who tear up their bodies to make these spatial descriptions of what is in their own souls.

As a working writer I distinguish myself from the arts community, I don't identify with it. When I look at the NEA board and program structure in the past, a very small percentage of the arts budget has been given over to literature, to the grants made to young writers and dramatists and poets. In all that time the NEA has found only four writers to sit on this huge collective board.

Mr. YATES. Can that be because they leave that to the managers? I have never had difficulty in establishing the difference in literature between those who write for the humanities and those who write for the arts.

76-703 0 - 81 - 15 (6b)

Mr. DOCTOROW. There is probably some sort of a blur there but I think it goes a little further. I think the problem is that as I have studied the literature of the NEA the emphasis has been on museums and on symphonic institutions, orchestras and opera companies, that kind of thing.

Mr. YATES. Performing individual arts.

Mr. DOCTOROW. So just as those entities happen to cater to patrons in the arts, so I would suppose I would have to confess that if I was asked that I feel this way about opera, for instance, that it is not a living art in this country in the sense that we do not naturally write and compose operas out of ourselves the way they did, for instance, in Italy in the 19th century and therefore as fine an opera production as it is here it is European culture. Opera companies are conservators of the past like museums and that there is support by the National Endowment reflects the strong bias or belief in the arts is something from the past in the present.

Now the National Endowment programs I value most are just those that are most likely to be lopped off. The programs of individual grants and individual artists in whatever meeting, the programs that endow directly the work of living artists, creative artists and those programs that do not separate the arts from our own life and times but emphasize the connection like the artists in education programs, for example, the program that puts poets in schools and I cannot imagine anything more sacredly responsible than having a poet go into a school and lighting the spark of something in a child. Imagine what one moment of self-discovery in a life of a child can be for a whole life.

For the entire arts programs of the folk arts programs Mr. Lomax just spoke of with the expansion arts, these are all bureaucratic terms for encouraging experiment and risk taking and that is what I think is at the core of living art on the one hand and in bringing artists in contact with their communities on the other. Those two kinds of programs for me are the ones that don't suggest a passive set of some kind of official art but involve participation for the ones that impress me most and these programs are just the ones that were granted.

I thought in the Heritage Foundation as instruments of social policy of public therapy and slated for distinction are the ones I value. This is not an idealistic sentiment. I know as an artist it is a very practical item, I know, as an artist where art comes from. I know there is a ground song from which a writer lifts his voice and that literature comes out of common force. Take Mark Twain, for example; we cannot exclude the people he speaks for.

Art will rise when it is least expected and usually not wanted. You cannot generate it with gala entertainments and $200 a plate dinners. You are an enlightened legislative body and you can see to it that you don't ipso facto create a situation by concentrating your attention on arts establishments. Other people can talk how many billions of dollars the arts generate but to me that is beside the point. I will tell you that even a little artist first will put his money on unknown obsessive individuals who have sacrificed all the ordinary comforts and consulations of life in order to do their work and second of all it ceased to these individuals and brought

them into contact with their community and that is my idea of a national endowment.

Individuals like this are not likely to be sought out by private philanthropies and the museum and opera and symphony orchestra, after all, have access to private funding because some of the arts are the national taste of the privileged among us but the community that puts on its own play by its own unknown playwright or brings in a poet to teach a writing class at a public library contributed.

I think one of the most crucial exchanges today, if not the most crucial, was your exchange with Mr. Loeffler and your feeling that there was a larger picture looming ahead, it was not just a matter of percentage of cuts but of eliminating the national endowment budget entirely. I recognize this is probably true and it must account for the feeling I had that it would be senseless for me to testify here today.

Mr. YATES. Why?

Mr. DOCTOROW. Because again all of them proceeds across the broad front. The truth is if you are going to take away the lunches of school children, payment to miners with black lung, store front, you might as well cut the budget of poets and artists and musicians. You cannot rip up the texture of our national life and expect it to survive. If you are going to get day camp medical care for the indigent, scholarship help, and then reduce the unemployment benefits of people, you put them on the unemployment rolls and take away their livelihood, then I say the loss of a few pounds doesn't matter; or if you are going to close down the mental therapy centers for the veterans of Vietnam, what does it matter if our theaters go dark or if the libraries close the doors.

Mr. YATES. The whole country goes dark.

Mr. DOCTOROW. I think so.

I said before I think in terms of pictures and stories and I have to admit that the ancient theatrical character speaks to my friend when I think of this administration and it is the character of the evil landlord from the melodramas, the one with the black hat and the wax mustache who comes in and evicts the widow and the orphan.

Mr. YATES. And the artist.

Mr. DOCTOROW. I think for all the economic policy issuing from this administration, all the supply side jargon and the budgetary, I recognize a simple undeniable eviction procedure in which most of us and the widows and orphans, all except the most privileged, is a writer fiction. I could not get away with a portrayal of such sanctimonious cruelties.

I think there is one picture that is even larger and more unnerving to me as I conclude here. This landlord in one of his guises points to charts in the budget and tells us who lives and who dies and testifies about all the bombs and missiles we are going to have to build with the money we take away from the poor so that the final story, the largest story of all, involves a picture of guns before butter of what is in a sense the Sovietizing of American life so we turn the country into one vast army but the only trouble is an army allowed nothing unnecessary, there would be nothing but emptiness inside and everything that really gives the strength of

security, all the American ideals and the way we pragmatically in general are enlightened over the generations bring some sort of measure of humanities in the community to us all that will all be no more.

The final picture I have is of this vast repository of bombs and deep in the subteranean missile field, I think of somebody remembering a poen and reciting it and I think maybe some young soldier will hum a tune or another will know the language well enough to tell a story or that maybe two people will get up and dance to the rhythm of the doom's day clock ticking us all to extinction.

Thank you.

Mr. YATES. Thank you.

Again I have to apologize. Those bells signal that I have to go and vote. I just was going to say I have about four minutes left. Shall I stay and go on or come back? I don't want to keep you unnecessarily. Which would you prefer?

Mr. PRICE. How long will it take for you to vote?

Mr. YATES. About seven minutes to get over to the floor and vote and to get back here.

Why don't I go vote and let you two discuss the doom's day.

[Whereupon, a recess was taken.]

WITNESS

RICHARD PRICE, NOVELIST

Mr. YATES. Mr. Price, the floor is yours, sir.

Mr. PRICE. I am here as a novelist. I have written three novels, I have written journalism, and I am on the Executive Committee of P&N, Poets and Novelists, which is about as close to a lobby group as I can imagine the individual artists have and it is not really a lobby group. I want to talk about a few things. I will be as fast as I can.

I am here on behalf of the individual artists, specifically the writers, because that is what I know best. I know the experience of being a writer to begin with and "making it."

For anybody who wants to be a writer, a poet, a short story writer or novelist, you have to have your head examined; it is economically the most suicidal career choice you can make. In 1977 John Leonard wrote an article, the thrust of which was that there are perhaps 100 writers in this country who can actually live off their writing and I am sure they are all novelists, too. I cannot imagine any poets living off their work or any short story writers, there is just no market for them. Even the novelists, which is I guess the most financially viable art form, the average writer is working two or three years on a book and maybe makes $10,000 if he is lucky or she is lucky.

The thing is if you are an artist, you are an artist and you move on and you go on, you stay with it, and you do what you have to do. The problem when it comes to getting grants is the whole freeloader stigma, that people think that when you are an artist or a writer that is your avocation, they want to know how much money you make, they think in terms of it being a hobby and it is not, it is a job. It is like any other job and any serious writer has to

make a living other than writing and that is just about 99 percent of them are moonlighting, they have got two jobs, making art and driving a cab or being an adjunct professor or slinging hash or waiting on tables or whatever it is.

It is the most grating thing to me when people say: "Oh, you are a writer. Oh, great. You must be so lucky, you don't have to work." I put in a 50 hour week at least, I work an eight day week if I can get away with it. That is number one which is that making art is a job, it is a vocation, it is not a hobby.

A $12,500 individual artist NEA grant, the most valuable use of that money is buying time because if a writer or a painter or somebody else gets that money, it is time off from that other job. It is not a freebie, it is not a handout, it is an investment in excellence.

I was very disturbed by I believe it was actually President Reagan himself who mentioned something that last year somebody got a grant and wrote a one word poem to show for it, somebody else blow-torched bananas. I don't know the specifics but it was something to show how——

Mr. YATES. The one word poem was written about 10 or 12 years ago. I was not familiar with the blow torch demonstration.

Mr. PRICE. I am just using that.

Mr. YATES. I know they use the blow torch for welding steel sculptures.

Mr. PRICE. I just sort of threw that one out but it was something equivalent. I didn't mean literally blow-torching bananas but it was something equivalent, they said we are spending money for this. I don't know the cases in point but I do know that winners of NEA grants are excellent artists, they have to be. I don't have the statistics for the number of grants given out to the number of people who applied but for the CAPS, the New York State Creative Artists in Public Service, just in the fiction writing form there were 512 applicants and 12 awards.

You have to be good, you have to be damn good, the competition is ferocious. Not only that but many grant winners are proven artists even before they apply because the economics, they can have published three or four novels and still need that grant to survive to get time off from whatever they have to do to eat. Of the NEA winners that I recognized last year on the list, some friends of mine who are novelists, all of them deserved it. I didn't see one writer who I felt did not deserve a $12,500 grant.

Just in terms of the business of the grant, that $12,500 investment, I know you have heard a lot about how it pays back but it also pays back for the writer in two ways. If it aids in completing a novel, it might launch a career and generate an income. It gets a payback in commerce and taxes, but even if it does not, even if it winds up as a small press printing with a 600 circulation or 50 poems scattered over 10 magazines which pay in copies as opposed to money or a few readings that they get or the greatest reward is a teaching job because now the writer who has an NEA grant has an enhanced reputation and they have some job security, either way, whether they are making a lot of money or they are in the same place they were at in terms of generating income when they started out, that is a $12,500 investment for an addition to informa-

tion about the American heart, the American consciousness, recording the way we live now, whatever expression you want to use and either way you can't lose. I know you heard this a number of times today, it is a national service that writers produce by making books, by writing poems and the pay is abominable and the grant is a supplement, it is buying time.

In terms of the private sector taking over this grant form, I feel like the individual artist is the most vulnerable because we have no lobby, we have no organization. I don't even know who I am talking for. I might be talking for somebody who is waiting tables in Houston right now or teaching English comp somewhere in the South Bronx. I don't even know who my constituents are being I am their representative at this moment. We cannot entertain Congressmen, we can't take them to see Aida.

Mr. YATES. Can't take them where?

Mr. PRICE. We can't take them to see Aida. We cannot put on a performance of the Swan Lake Ballet. We can't do anything. I don't know what I am supposed to do. Can I corner you in the halls of Congress and read you my manuscripts?

Mr. YATES. Just send me a copy of Mr. Doctorow's new book.

Mr. PRICE. What I am saying is that we don't even know who we are. We are so invisible that if it came to scrambling for grants for being recognized as a group, it is just too amorphous a group. The Guggenheim and the Rockefeller grants, they are for the more established writers, the ones who have careers, they are not for the younger writers. As far as the private endowment, I don't know. I don't have that tremendous a faith in laissez-faire when it comes to arts being supported by companies.

What if I were writing a book where the villian was big business, do I get a grant from Exxon? What if I were writing some version of the the China syndrome?

Mr. YATES. It depends on whether it was about Texaco.

Mr. PRICE. Excuse me?

Mr. YATES. I said it depends on whether it was about Texaco.

Mr. PRICE. Well, all right.

What I am saying is I don't know. If I were William Burroughs and writing Naked Lunch, could I count on a grant from a big pharmaceutical firm? AT&T, if I were Alan Ginsberg, could I get a grant for writing America? Could I get a grant from Con Ed for writing something? And on and on.

So if it goes to private funds, I fear that it would temper this subject, the writer would not feel as free. I mean take it where we can get it. Mr. Exxon, I guess, would be the one that judges who gets the grant but the people who are judging from it are basically his buyers and they have to know who they are buying for and I just don't think it would happen. I think it would just hamper the freedom of expression that people have. The NEA, it being nonprofit, just rewards excellence, there is no image to protect.

The NEA in itself on the other hand for the younger writer has two advantages, one is that by buying that time a writer can finish that project faster by taking time off from that other job, he gets his career moving faster.

Publishing companies are so swamped with manuscripts that if a manuscript comes in with once again the NEA stamp of approval it

is like graduating summa cum laude. It is just something that would help that writer get on to where he can generate his own income. It is a small investment that will come back to you one way or the other either by art that is not making money or art that is making money but it is making art and it is making history and it is making culture.

Going back to buying time, if less and less grants are available to younger writers, then it comes down to an issue who can afford to write? It takes two or three years to write a novel. Who has two or three years to write a novel? You have to go out and earn a living. It will be 19th century England, writing will be a gentleman's pursuit and the hardest hit will be the minorities, the working class, even the middle class. There will be an imbalance in the American experience recorded and there is enough of that as is.

I am a writing teacher and in my class right now I have got two kids that I am very high on, one is Italian and one is Chinese—Italian-American, Chinese-American. I think they are 22 and 23 and I feel like their work is so special, they are so gifted, that if and when they come to fruition they are going to really make a major contribution to the American culture but I worry about them because it takes years to develop that talent.

If you are in training as a lawyer or an engineer, you step out of that school and you have corporations to step into jobs. If you are in a training in a graduate program in writing, there is nothing waiting for you, you are still going to be in training and you are still going to have to drive a cab and you are still going to have to teach English composition at four schools to make ends meet.

I don't know if these kids are going to stick with it but an NEA grant, if they have something like a mid point which they can grab for just as validation to them that, yes, this is America's faith in you, we are going to reward you now, it's coming, they will stay with it. I know they will stay with it. I don't know their personalities, I just know their talents and their skills and their visions. They might buckle under, they might not. An NEA grant would really help.

I know recipients of grants, friends of mine who earlier in their careers have gotten grants, some of them have gone on to making a hell of a lot of money after that, some of them have not, but all of them have published books.

Mr. YATES. Did you ever receive a grant?

Mr. PRICE. No, but what I did receive before I published my first book, I had a job with Writers and Teachers Collaborative which is also affected by the budget cuts. I was cut after five days because they had a budget cut. I worked only five days but what I am saying is that for a 22 year old writer to be recognized as enough of a writer to be taken on in Writers and Teachers and the labor exchange for me to work with these kids, you know, to help in whatever way I can. I was not getting the money for nothing, it just gave me a little bit of belief in myself that I was being recognized and that was a very minor thing. I must have made $200 in that week or less but it was a little bit that kept me going.

So as I said, I know recipients for grants and I know that the grants work, they help people move on.

Mr. YATES. Good.

Mr. PRICE. But I also know a lot of people, both young people and older people, and they are working and they are writing and they are hanging by their thumbs and they deserve grants and they might or might not get them because as good as they are there are just not enough grants around and there are going to be less or they are going to be halved, I don't know how you are going to work it, maybe 6250 or just cut the number of grants but these people deserve to be published, they deserve the help and they are not getting it.

I know you want to move on, you have been sitting here all day. There is one last thing I want to say. I saw an article in Washington written up that was anti-NEA. They said there was a jazz musician who was conducting workshops for jazz musicians and grantsmanship and it was sort of like a snide point being made.

Mr. YATES. It was indeed.

Mr. PRICE. If I had the time, the energy, if I knew how to get grants, I would give that same workshop because it is cold out there and these guys need any kind of help that they can get.

Thank you.

Mr. YATES. Thank you.

WITNESS

EDWARD ALBEE, AUTHOR

Mr. YATES. What have you written lately?

Mr. ALBEE. Let's not discuss that.

Mr. YATES. I loved Virginia Wolff, if one can use that phrase.

Mr. ALBEE. I am a playwright sometimes, that is my employment; other times I do it because I can't help it. I have no prepared statement, really a few reactions to some of the things I have heard here today.

Not too many months ago Mr. Doctorow and I were at a conference in Los Angeles of Soviet and United States writers and it was meant to be a fairly friendly conference and it disintegrated, as they all do, these conferences we have with the Russian writers, into breakouts. Now Mr. Doctorow was talking before me, before I spoke, and I had not met him at this particular point. I was listening to him talk and I have the eerie impression of the fact that I was talking but my mouth was not moving. He was saying very much what I was going to say, so what he said here this afternoon is indeed a good deal of what I would have said were I to address myself to what Mr. Doctorow said.

Mr. YATES. Don't you call that a cop-out?

Mr. ALBEE. However, I would like to address myself to a question that Mr. Loeffler asked this morning. I find myself, as so many of us are, surprised that he is not here but I am sorry that he is not here. I am sorry that he is not here because he did raise a question this morning that interests me and it has to do with what we are all about here and it seems to me that it has as much to do with philosophy of government as it has to do with dollars and cents, maybe even the definition of civilization.

Now I want to speak only as a private individual. I belong to a number of organizations and drama schools and various other

things but as a private individual and as a writer I have come to a number of conclusions about the function of art. First and primary is the function of art is not decorative, it is not ephemeral, it is not elitist. It may be that the creation of art is the only thing that distinguishes us from all the other animals, that we may be the only creature that consciously creates art. I consider it to be part of the evolutionary process, our tails fell off and we developed art. I know that in some circles evolution is not as popular as it might be these days but art as far as I am concerned is part of the evolutionary process.

Mr. YATES. They were drawing pictures of animals in the caves, weren't they?

Mr. ALBEE. Now I also feel that in a civilization, and I use the term advisedly here, such as ours—Max Lerner calls us a civilization so why shouldn't I. In a civilization such as the United States we have an extraordinary opportunity to educate the people of this country completely and totally, not only to see that they get through the tenth or twelfth grade or whatever is the minimum requirement but also to educate the people in aesthetics. Maybe the government got into the business of supporting the arts to begin with from perhaps even some kind of unconscious notion or understanding that a people that is aesthetically informed and aesthetically sophisticated is probably better able to govern themselves than one that is not, and it has always seemed to me that the Government's participation in the support of the arts is part of its responsibility to educate the people toward self-government.

Now I travel around a fair amount and a number of my trips have been to the Soviet Union and other countries in eastern Europe where I have found that people are not permitted free access to the metaphor, are not encouraged by their government free exploration of the aesthetic in order to develop a higher form of self-government. Indeed, the opposite is true, it is nothing so casual as—what is that famous Washington term—benign neglect. It is indeed intrusion and control of the arts on the part of the government to deny the people of those countries access to the metaphor in order to understand the defintion of self-government.

We in this country, democracy being as fragile as it is, have an extraordinary opportunity, it seems to me, since we can support the arts without censorship, without controlling them as happens in totalitarian societies, we have a responsibility to the education of our population to educate them aesthetically as well as in any other fashion. I think what I am trying to get at simply enough is that while it is wise to balance all budgets there should be an attempt to balance prudence with wisdom because it is quite possible for a society such as the United States to survive as an entity and no longer have any value or even existence as a civilization. That is what I worry about, that we may survive and not deserve to.

I think that is all I have to say.

Mr. YATES. You said a great deal.

If I may join you three and use a couple of phrases from a 1964 report in the Commission on the Humanities, it is pertinent at this point in view of what you talk about on educating and so forth. I quote from page 3:

Even the most gifted individual, whether poet or physicist, will not realize his full potential or make his fullest contribution to his times unless his imagination has been kindled by the aspirations and accomplishments of those who have gone before him.

I am talking about the humanities primarily.

Humanist scholars have therefore a special responsibility in that the past is their natural domain. They have the privilege and obligation of interpreting the past to each new generation of men who "necessarily must live in one small corner for one little stretch of time." They preserve and judge the fruits of humanity's previous attempts to depict, to rationalize, and to transcend the world it inhabits. The arts and letters, and the study of them, are therefore where we look most directly for enrichment of the individual's experience and his capacity for responding to it. Through the humanities we may seek intellectual humility, sensitivity to beauty, and emotional discipline. By them we may come to know the excitment of ideas, the power of imagination, and the unsuspected energies of the creative spirit.

Over the centuries the humanities have sustained mankind at the deepest level of being. They prospered in Greece and Rome, in the Middle Ages, in the Renaissance, and in the Enlightenment. Architecture, sculpture, poetry and music flourished, and with the growth of colleges and universities the liberal arts took shape as a body of cumulative knowledge and wisdom. In the formative years of our own country it was a group of statesmen steeped in the humanities who fused their own experience with that of the past to create the enduring constitution of the Republic.

I thought that was quite appropriate.

Mr. ALBEE. Then you are obviously going to recommend the doubling of the budget.

Mr. YATES. You are preaching to the converted, my friend.

Mr. ALBEE. Thank you.

Mr. YATES. Thank you very much.

VISUAL ARTS

WITNESS

RICHARD HUNT, SCULPTOR

Mr. YATES. Now we have my friend Richard Hunt. Along with Richard Hunt we have Robert Rauschenberg, Alex Katz and Ellouise Schoettler.

Mr. Rauschenberg, knowing Catalina Island, I know what a sacrifice it is for you to come up here and spend the whole day waiting.

Mr. RAUSCHENBERG. That's right. I had to get up at six o'clock this morning and that was before my senses came alive.

Mr. YATES. I hope they are a little bit alive now.

Richard, do you want to carry the ball?

I should tell the people here and the record and I suppose history that Richard Hunt is one of my very closest friends. I take pride, as does he, in the achievements he has made in the field of the arts particularly as a sculptor and as a very warm human being. It is a pleasure to welcome you today.

Richard, the floor is yours.

Mr. HUNT. Mr. Chairman, I thank you very much for introducing me and allowing me to come here. I appreciate that introduction and the opportunity and privilege to come and sit before you and say something about the National Endowment for the Arts.

I would not want to begin without saying that we all know it is a great privilege to live in the United States of America, those of us

who practice the arts as we have heard, the freedom despite economic constraint, the freedom to practice our arts here as best we can and to me it has been a great privilege that we are here. I must say that I am also a citizen of Chicago, Illinois, and I reside in the Ninth District and I find that if there is any place in the United States that is what one might call the cradle of the arts and the encouragement at the grassroots it is in the district. We are very happy to have you as our Representative here.

So it is a pleasure to come before you on this occasion and to speak to the committee and for the record about some of my experiences relating my career as an individual artist and to my involvement with the National Endowment as a member of the National Council for six years first under Jim Roger Stevens and then Nancy Hanks. I had the experience of serving during a period of growth of the endowment budget from some $10 million up to $120 million and to see how the development and initiation of programs that covered the whole spectrum of the art were able to be implemented as funds became available.

I was always concerned as an individual artist and in literature have expressed the difficulty of defining actually what an artist is, let us say, within the context of a Federal program that is going to encompass the arts in America. For instance, we heard this morning from the president of the Musicians Union who could say there are 300,000 musicians in the United States, 25 percent of them making a living. This distinguished group of artists who have come before you to distinguish themselves as individuals don't have any information like that. I mean we cannot say how many painters or sculptors there are in the United States. We all have a lot of friends who are painters or sculptors and we all know they are having a hard time making a living or even defining themselves as professionals.

One of the things that has impressed me about the endowments commitment, and a hard won commitment, that is fought for by the artists who have been a part of the panel and by the council and involved in panels is the recognition of the importance of the individual artist, the individual pursuit of excellence, the individual pursuit of ideal data and the importance of that to the fabric of American life and culture.

One of the things the endowments programs has tried to do for the individual artists in the visual arts was to really help them define what that was, what a profession in the arts could be. The first such programs were fellowship programs which gave artists an opportunity to work. As program money became available, more programs were implemented to provide for artists to work in the schools, for artists to have residencies, visits in colleges and universities, professional art schools. Later on the Art in Public Places Program provided opportunities for the artists to interact with not necessaily a new audience but an audience that they have lost from a period of time when artists used to be commissioned to do works in public places and of course in the WPA program artists had that kind of opportunity.

The endowment also saw at an early point the recognition of photography as a final art and the programs to encourage photography exhibitions, monographs of photographers who had worked

very long as artists in photography but they had not been recognized. This is very important.

Later on there was attention to the movement of artists who organized themselves to exhibit, to share facilities and all so that artist spaces could be funded in various programs like that and these programs have come onstream in a large number in rather recent years as the budgets have allowed for the expansion of these programs and of course now we are faced with the possibility of these cutbacks which will, just as these programs that have been established, their worth has been recognized by the art community and they stand to be cut back.

Of course, as has been said, the community of individual artists is not one that is defined. We don't have the access or the links with other sources of funding. A lot of these programs will not have anywhere else to go, they won't be maintained and in that context, of course, the individual artist would feel severity.

Mr. YATES. Thank you, Richard.

WITNESS

ROBERT RAUSCHENBERG

Mr. YATES. Mr. Rauschenberg.

Mr. RAUSCHENBERG. I have a statement.

I also have a story and I don't know what the particular point of it is but it seems appropriate inasmuch as I heard "50 percent" today so often. I used to be a member of sort of a dubious committee on the arts that Mayor Lindsay organized in New York and—not to be bitter about it because the humor is a lot more practical for the situation—I was the token artist on the Artist Committee and everybody else was somebody else's wife. We had a token actress, too, and she and I had all kinds of ideas about what we could do for New York City and we were so ambitious we considered that crime was one of our problems for the artistic world and it almost made sense because when they cut the budget there, and again it was the first budget, I mean it was preceded only by hospitals and that was a surprise to me because I thought we were dealing with art, but we found then that the museums were part of the Park Service and so we inherited the budgets for the zoos, the botanical gardens and the libraries and their solution for changing the budget was to cut it 50 percent and it worked out. I mean there weren't many protests except for a few of us who realized that the animals could not live off of 50 percent less of anything, you know, and that took care of the zoo and then half the botanical garden died. So every time we said 50 percent here today I have thought of that.

Mr. YATES. Fifty percent of the arts are going to die.

Mr. RAUSCHENBERG. It is like there is just one other 50 percent and it is such a flat sum that I can't help but feel that there is a lot more behind it. If one could keep up the good work it is very hard for me not to try, take the other 50 and shove it and let's start a whole other project here.

Mr. YATES. I don't know whether you want that on the record.

Mr. RAUSCHENBERG. From today's hearings you certainly have a fantastic sponsorship.

Mr. YATES. Amazing, yes.

Mr. RAUSCHENBERG. My written speech is made up of the same 15 holy words that I have heard all day, you know, which was pretty good at four o'clock this morning.

Mr. YATES. I saw the movie showing you creating the art work that you did. Was that shown on CBS, on Sunday morning? That was a very beautiful rendition of what you were trying to do. I must say in all honesty that perhaps due to my training as a Member of Congress sometimes I have difficulty with words. If I can understand a few of them, that is all right.

Mr. RAUSCHENBERG. But you are supposed to, aren't you? I mean I think about them 24 hours a day.

Mr. YATES. I don't.

Mr. RAUSCHENBERG. And you don't, so if I can't stay a little bit ahead of you there, I am not doing my job.

Mr. YATES. I remember someone once asked Pablo Picasso about the meaning of his art and she said, "I just don't understand it, Mr. Picasso." He said, "Well, I don't understand Chinese but lots of Chinese do." That is the kind of communication. I must say under Richard's influence and under his tutelage I have learned more and more and I appreciate it.

I saw your show at the National Collection of Fine Arts as it was known then and I thought it was just a beautiful show.

I like your art, too, Mr. Katz.

Mr. RAUSCHENBERG. I want to read my statement.

Mr. YATES. You want to read it?

Mr. RAUSCHENBERG. Yes.

Mr. YATES. Why do you want to read it? Do you want to quote cogent parts of it?

Mr. RAUSCHENBERG. Yes, I will read the whole thing. It is just this much.

Mr. YATES. Go ahead, read it all.

Mr. RAUSCHENBERG. The Reagan Administration has inherited one of the most coveted endowments in history. America is the cultural center of the world. Not meanly the NEA has played a serious role in this achievement from grassroots to the sponsorship of some of the most avant-garde experiments. One of the most important of these is their aid to CHANGE—you see, I wanted to compliment you on this because nobody has complimented NEA for their help in CHANGE.

CHANGE is a nonprofit, no overhead foundation to provide emergency funds for artists with a unique hospitalization plan for the artists and their families. We do not indulge in aesthetic priorities; we service musicians, dancers, painters, writers, sculptors, photographers and actors. Their qualifications are based on an investigation of their particuliar dilemma. Most common requests range from total wipeouts from fires or landlords to financial impossibilities because of death and sickness. We have dealt with eye operations preventing blindness and in one case stopped an amputation because the artist could not afford the cure. A wide generous spectrum of human fragilities that even a genius might suffer has

been maintained. We were and are dependent on NEA and gifts of art works from established fellow artists.

The strength of all our artistic establishments rest on the development of outstanding individuals. These individuals are willingly devoting their entire working lives to an activity that is concerned only with the sharing of free ideas, new visions, enlivening and encouraging sensitivities that lead to richer, fuller responses in everyday experiences regardless of financial, social or educational limitations.

The survival of this rare professional breed exists already with the most minimal structured support, without normal tax benefits, social security, pension plans, group insurance or hospitalization and usually living in illegal work spaces. Now to cut and withdraw the only national aid this country provided is cultural insanity.

The making of art is about the only thing in the world that the entire world has in common. This communication is by far the most far reaching, most diplomatic and most economical investment that our government can be sure of. Historically the superior leaders have insisted on a vital, creative environment. Only in times of political corruption is the administration frightened of the idealism of the artist community. The positive spirit of art is contagious and a single individual can cause an epidemic of love and trust and unaggressively change attitudes and carry information to rid the world of Godless bigotry in an international language that needs no interpreter.

Does Reagan want to go down in history as the Administration that stopped the art and more seriously the artists? The artist is the open line to truth and beauty is the bonus.

Mr. YATES. Thank you.

WITNESS

ALEX KATZ

Mr. YATES. Mr. Katz.

Mr. KATZ. I have been amazed at the work Government has done in several programs, the CETA programs around New York where they have sculpture all over the outlying boroughs and things where they really bring art out to Jamaica, Queens and Staten Island and having people paint and the GSA mural program. I think it is just wonderful. I just think it is astounding the amount of first class art work that they have put into the public buildings.

The NEA thing is terrific, too. The contact I have had with the NEA was to serve as a jury member and the members were from all over the country and they seem to represent every possible kind of modern art that was going on, the type of thought that was represented there, and I could not believe that so many interesting artists got those grants. It was really amazing.

I will digress on one thing. People have said that it all goes to the big cities or all goes to New York. We found that the stuff was distributed all over the country. We have more artists living in New York but you have to regard New York as a sort of transigent city where artists come from some place, they go to New York and stay for a couple years, they go back. Artists live there in the

summers and they take off in the winters, it is not a stable place. I think the grants end up going all over the country and eventually go all over the world.

The idea of the people on that panel when we were giving out the grants was that an artist goes to art school and then he usually goes to graduate school and then by that time he is 24 and he might have his first show when he is 26 or 28. The panel sort of felt that we would like to give the grant to people who were a little older than that and still had not gotten recognition so most of these grants were given to people between 30 and 40 that have taken a long time in developing their talents and having not really established themselves commercially. I just thought that was terrific that it did not go to either very young people or to older people and that it was so diverse and alive. I could not believe it.

When I started out in the art business in the Fifties I felt lucky to be an American in that the Government was completely indifferent to me as an artist and you could do what you wanted and the country has such a high standard of living and artists could live off the crumbs. What was wrong with that? I have been completely converted to this to where we are now where the Goverment is, its involvement in the arts. It all sounds very sweet and romantic but a lot of the best painters are not dried out. I don't know where the best painters left are.

You have an awful mortality when the circumstances are very hard, people continuing on in it. I think the Government intervention has just been really terrific. An art or an art community sponsored solely by the Government, I wonder about it. I would not want to see an art sponsored by business because when you have corporations solely supporting an art you have what is called corporate art and if your art does not have the manners for corporations it will be used for corporations. There is an art that corporations can't hang for one reason or another and there is a difference. We have private people buying art, you have corporations buying art, you have the Government supporting it and you have the museums. You have a fabulous balance in the support of the art in this country now.

Now the artist in society when I started out was the painter to paint or the sculptor to sculpt; it was punitive and it was like a real fugitive member of society. I mean if your daughter brought home an artist, I think most people would have been worried in the Fifties.

Mr. YATES. It is almost the equivalent of bringing home a Congressman.

Mr. KATZ. But actually the artist's place in society has changed because of the ecology of the masters. You read about him in the papers in museum shows and now he is a respectable member of society. The Government support has helped this, it is like a part of it, the artist's place in society.

Now the art of painting and sculpture in terms of the concrete and where it is is another factor, I think. It is spreading the way we live and the way we like to live and people all over the world want it. Recently someone in Australia paid $2 million for Jackson Pollock. Bob Rauschenberg won this great big contest in Venice

and had all those exhibitions with the theater groups all over the Scandinavians.

Mr. YATES. But he has given up putting the roosters on top of the frame.

Mr. KATZ. It is not going to stop him from moving.

Even in Iron Curtain countries like Yugoslavia everybody wants American paintings. I was invited to Russia on a cultural exchange visit where they wanted to see a lot of American paintings. They call a lot of our painting imperialist, formalist imperialism, and they have got good reason to.

Mr. YATES. You didn't know you were an imperialist, did you?

Mr. RAUSCHENBERG. It is interesting, isn't it?

Mr. YATES. Yes.

Thank you.

WITNESS

ELLOUISE SCHOETTLER

Mr. YATES. Ms. Schoettler.

Ms. SCHOETTLER. I have been here on happier days but this has been a wonderful and exciting day. The discussion we are having I think is very unhappy.

Mr. YATES. The theme of the day is not a very happy one but the testimony is good.

Ms. SCHOETTLER. Very exciting.

I submitted a statement which I will elaborate on.

Mr. YATES. Not too much, I hope.

Ms. SCHOETTLER. No, my fair share.

Mr. YATES. There she goes, women's rights again.

Ms. SCHOETTLER. I am Ellouise Schoettler. I am a painter. I am very fortunate in that I do know the constituency that I represent because I am the elected director of the Washington office of the Coalitions of Women's Arts Organizations which is a national network coalition of 75 organizations across the country, artists' organizations, artists' spaces, and that is the issue that I address in my testimony. In the interest of time I would like to elaborate on my statement.

Mr. YATES. Ellouise, in the interest of time, we just had a buzz signal and I have one other group.

Ms. SCHOETTLER. I have very little to tell you.

In the interest of time I will cite the 1980 figures of NEA awards to women artists' spaces and organizations as representative of the visual artists funded to artist spaces.

ARC Gallery, Chicago, $8,500.

AIR Gallery, New York City, $8,500.

Atlanta Women's Art Collecting, Atlanta, Georgia, $2,000.

Front Range Artist Gallery, Boulder, Colorado, $2,000.

AIR Collective, Rhode Island, $2,500.

Washington Art Center, Washington, D.C., $9,000.

Women and Their Work, Austin, Texas, $3,500.

Women's NNR Space in New York City, $3,000.

That is throw away money in some circles but for artists' organizations it is a catalyst for survival. I hope that Mr. Loeffler will read the example I have in my testimony.

Mr. YATES. I will get him to read it, I promise you.

Ms. SCHOETTLER. One of the breakthroughs in the Washington Art Center was a $5,000 grant two years ago. They are now a substantial part of the Washington art scene. The validation of the efforts of an artist's space by this recognition is the spur not only to get the funding but these artists' groups parlay that money through their work and through their determination into programs, job training and documentation of their work which would not exist otherwise so it is critical.

In closing, the pin money that I just mentioned is a vital investment in the future. Mr. Chairman, CWAO urges the committee to recommend full funding for the National Endowment for the Arts. The arts are the heritage we leave our children and at the present level of funding they are cheap.

Mr. TAYLOR. Thanks, Ellouise. Thank you very much. Your written statement will be made a part of the record.

[The statement follows:]

76-703 0 - 81 - 16 (6b)

Testimony of
Ellouise Schoettler
Director of the Washington Office of the
Coalition of Women's Arts Organizations
Before the
House Interior Appropriations Subcommittee
March 25, 1981

The Coalitions of Women's Arts Organizations, a national coalition representing 75 member organizations whose memberships total upwards of 75,000 women art professionals, unites an extensive network of women in the arts from the East to the West coast. It includes substantially well-known women artists and art historians as well as emerging artists and students.

Early in the 1970s, women in the arts, disadvantaged by a traditionally male-favoring arts establishment, recognized that to achieve substantial careers in the arts, they would have to develop alternative opportunities to gain experience and recognition. Through determined entrepreneurship, women in the arts established organizations, alternative exhibition centers, arts centers, and publications which have fostered their career development and emergence as full participants in the arts community as a whole.

CWAO has found the National Endowment for the Arts extremely responsive to the concerns and efforts of women in the arts. NEA has recognized many of the CWAO organizations by awarding program grants, and the credibility afforded by their initial support has unlocked corporate philanthropy for these struggling organizations and resulted in a wider base of financial support for them.

Specifically, one of the most significant break-throughs for strengthening the Washington Women's Arts Center, now a recognized part of the overall Washington arts community, was a $5,000 matching program grant from the NEA several years ago. The validation of their efforts resulting from that award spurred the Center members not only to gain the matching funds, but also to parlay those dollars through the addition of unlimited volunteer time and energy into a series of exchange exhibitions with out-of-town groups, documentation catalogues, increased membership and practical and administrative experience for many of the members as job training. In our opinion, this is a mighty return on the investment of a few government dollars.

CWAO can document that the activities of our organizations are forwarding our principal goal--to enable women to move into the mainstream of the American art world. Right now, for example, two former Center members have works in the current exhibition, Animal Images in Contemporary Art, a national juried exhibition at the Renwick, a part of the Smithsonian Institution.

Grass roots organizations all across the country will bear the brunt of the proposed 50% slash to the National Endowment budget. Corporations may pick up the tab to support some of the more recognized and established areas of the arts, but what about these organizations--the ones that incubate the arts and artists of the future? Who will take the risk to support the grass roots organizations and the emerging or experimental artists without the Endowment?

The members of CWAO urge this committee and Congress to approve full funding for the National Endowment for the Arts.

Mr. YATES. I thank the panel.

Mr. RAUSCHENBERG. Thank you, Mr. Yates.

Mr. YATES. We have one more group and I have to vote. Would you want me to come back? It is going to be a half hour because there will be two votes coming up. Do you want to testify now? What is your pleasure?

Mr. SITTON. I will wait until you come back.

Mr. YATES. Wait until I come back. Very well.

[Whereupon, the subcommittee recessed:]

MEDIA

WITNESS

BOB SITTON, FILM STUDY CENTER, PORTLAND ART MUSEUM

Mr. YATES. We now have the Media. Mr. Sitton.

Mr. SITTON. Thank you very much.

I appreciate your patience, it is fantastic.

I wanted to talk with you about the media program of the NEA and how important it is to us.

Mr. YATES. I know how important it is, I wish it were better.

Mr. SITTON. My name is Bob Sitton. I am Director of the Film Study Center at the Portland Art Museum in Portland, Oregon.

It has been a fantastic day in a lot of ways and I can only add to the dialog from two vantage points. One is the subject that I would like to talk about which is the media arts which have not been covered earlier today and secondly I would like to report to you about my own program which is a creature of the NEA and it came into existence because of the NEA and it could cease to exist if the NEA ceases to exist as well. I feel that the study center that I have been operating is a kind of microcosm of the kinds of programs that NEA has been supportive of and I just would like to describe how it works and what NEA means to it.

The media arts program of the National Endowment for the Arts has provided public access to film as an art form and to the merging art of video which together are the youngest of the art forms and in their way I think they are especially vulnerable, film in particular because of the substance upon which it is printed is very vulnerable. All the films made prior to 1952 were made on a nitrate stock which oxidizes and actually is burning all the time and is slowly disappearing. We estimated that perhaps 200,000 motion pictures have been made in America and of those less than 10 percent have been transferred to the newer kind of film stock or safety film stock in the three major archives that we have to preserve this heritage. So the preservation of American film which is one of the priorities of the NEA media program is an area that we feel particularly is of importance in the future because it is an underappreciated and underfunded area of media art support that can hardly look to the private sector for a great deal of support in the future.

The NEA program has also been supportive of the work of independent filmmakers, filmmakers who don't live in Hollywood and don't aspire to become Hollywood filmmakers but aspire to express

themselves or to make innovation in the art form based upon a personal vision.

The NEA program has always been supportive of the education of the public with respect to film and video as an art form and has supported the growth of media centers throughout the United States. I am director of one media center which I think is to some degree typical of the 60 others that have formed themselves into an alliance called the National Alliance of Media Art Centers.

The media center that I have worked with for the past eight years serves a five state region; the region of Washington, Oregon, Montana, Idaho and Alaska. It is housed at the Portland Art Museum and came into existence in 1971 along with the media program of the National Endowment for the Arts and throughout these years we have derived approximately 20 percent of our funding from the NEA.

The center was founded to provide greater access for the public to this art form, to the art form of film and to the art form of video, and at the time that it was built there was no theater in the city of Portland that was exhibiting classic films or foreign films or films by independent filmmakers. Since that time we have helped to encourage the proliferation of a variety of theaters around Portland that are exhibiting a number of kinds of films but we still remain in the vanguard, we still remain the center for films by people from the region and unusual film from abroad that would not otherwise be seen and we provide a thematic program like the films of Hitchcock or Orsen Wells or films focusing on particular actors, Bogart or Garbo or whatever it may be.

We operate in a 480 seat theater in the Portland Art Museum and we present 300 programs per year. We never show the same film twice. We are functioning along with these other 60 fledgling centers in what might be called the museums of the media; that is, up until recent years and the emergence of the NEA program there was really only one program in the United States in which film was treated as an art form, preserved and exhibited, and that was the very forward-looking program of the Museum of Modern Arts started in 1935 by Iris Barry but in the late Sixties with the emergence of the National Endowment funding was available for regional programs to bring the film to the public in a sort of library setting where people could study it as an art form and see that it is a great and living art form of America.

Our programs also have included opportunities for the general public to discuss films that have to do with their own lives. We have shown films having to do with the image of minorities in motion pictures or the image of women in motion pictures. We have done a series on American history as depicted in film and each time through support of the NEH we have presented the films in the context in which they are discussed by scholars, historians and people that know something about how to put the film in a context.

We also have provided program notes every time so that when the audience comes to see the film they can read something about it. We give them the cast and the credits and a long page of commentary that tells how the film relates to other films by the

same director or fits into a context in some way so that we are providing a sort of broad based public education program.

We produce the Portland International Film Festival each year as well as a regional festival that is open only to people who live in the Northwest region. In 1967 I was working with the New York Film Festival and I was producing a program of west coast independently produced films so I combed the Northwest looking for filmmakers' works to exhibit at that time and I found only three filmmakers operating at that point.

Nowadays every year we produce a regional festival and we receive upwards of 125 to 135 films made by people in this rather remote area. The festival provides a showcase for them to see their works in context with other people from the region and we have seen themes develop, particular kinds of expertise. There is a strong trend in animation, for example, in Portland. Some of the best animators working in the country are working in the city of Portland and we help to provide a forum for that work to be seen by the public.

We also present every year a young people's film and video festival which will be in its sixth year this year and that is an opportunity for kids working in schools who are taking classes in filmmaking to exhibit their work and to perfect their expertise and we have seen also an increasing growing quality in the work of the filmmakers in this program.

Every Saturday we have presented for the past eight years a matinee program for children in which we have shown films that are very high quality that let the children see something other than the Saturday cartoons or something less inventive and less creative. We have taken films from literature or outstanding examples of animated cinema and other films that children find interesting.

We have also operated an education program for the general public without prerequisite. We have invited the public to take 10 or 12 courses per quarter on a quarterly basis in film production, film theory, screen writing, film criticism, other courses that provide in-depth exposure to this art form for people who are not professionals, who don't want necessarily to go to Hollywood but who want a greater understanding of film as an art form.

We also administer the Filmmaker in the Schools program for the Oregon Arts Commission. There was earlier mention of the Artist in the Schools program. Our own facet of that involves 12 filmmakers who are in the public schools teaching children how to express themselves through film and television and to in a sense talk back to the television set that they watch so much. We have all heard that upon graduating nowadays a young person has spent as much time before the television set as in the classroom and our program which reaches some 20,000 children per year has provided an opportunity for them to have a command of the medium and to speak back to the television.

We have also been involved in training teachers in the schools to teach filmmaking and about 300 teachers have studied with us thus far.

Another aspect of our program sponsored by the NEA is a circulating library which allows us to distribute 150 films throughout

the Northwest region and in the past year more than 800 groups, including film societies, hospitals and schools, have exhibited these films to as many as 50,000 people and in an outreach program that goes well beyond the confines of the city of Portland.

We publish a newsletter for people in the Northwest to inform them of what is going on in film study, to apprise them of books, periodicals and other tools that could be useful in the classroom. We have published aids to film societies, helping them to get their own program started and other useful publications.

The center is now eight years old and since its beginning its budget has grown from about $75,000 per year to $235,000 in the current fiscal year and all along we have found that the NEA support has been essential, a sine qua non for our activities. Although we earn 70 percent of our operating costs through box office receipts, tuitions and the sales of memberships, and we also have our own endowment which is somewhat unique among film centers—in 1978 we were given $100,000 to start a small endowment for our support—we still find that we operate with a predictable income gap of from five to twenty thousand per year and this is a gap which concerns us because whatever cutback we find from NEA would merely widen that income gap.

We have been anticipating these cuts in seeking alternative sources of support. We have not found any very likely, we don't feel that the private sector is prepared to take up the gap that would be provided here and we are concerned that our staff of five and a part-time staff of twenty may find that the root of the support, the NEA, may leave us with a problem of survival.

The center that I just described to you is not unique, it is one of 60 around the country. In 33 States we estimate that approximately 13 million people have been involved and have been touched by these centers through the exhibition of film and video, both in museums and in universities and on cable television and in public art centers. All together these centers have operated on a total budget of $5 million per year of which less than $500,000 has come from the NEA which again validates the point that the Federal dollar has been used very effectively in this area to generate other support.

Finally, I would just mention that two films opened yesterday here in Washington which provide a contrast for our point. One was a Hollywood film about the devil in big business and the other was a group of films from the Appalachian area produced by a group called Apple Shop which has provided the people of Whitesburg, Kentucky the opportunity to express themselves on film for the first time and there are documentaries about the crafts and work and culture of Whitesburg, Kentucky which is a testimony to the good of allowing film centers to exist in small communities around the country.

Thank you very much.

Mr. YATES. Thank you very much, sir.

COMMUNITY OF ARTISTS

WITNESS

SERGIU COMMISSIONA, MUSIC DIRECTOR, BALTIMORE SYMPHONY ORCHESTRA

Mr. YATES. Now we have the Community of Artists.

Mr. Sergiu Commissiona, Music Director of the Baltimore Symphony Orchestra.

Mr. RALPHE. He left.

Mr. YATES. His statement will be made part of the record at this point.

[The statement follows:]

TESTIMONY

OF

SERGIU COMISSIONA

Music Director, Baltimore Symphony Orchestra

Chairman Yates and Members of the House Appropriations Sub-Committee:

Since I became Music Director of the Baltimore Symphony Orchestra in 1969, I have witnessed a remarkable change taking place in America's cultural life. The arts are growing as never before. The atmosphere has been almost springlike, and individual artists and arts institutions have blossomed with the gentle nurture of government support. The Baltimore Symphony is privileged to be part of this blooming, and to be part of what in our city we call the Baltimore Renaissance.

For most of this century the standard of living of the American people has been the envy of the world, as measured by their ownership of houses, cars, boats, planes, and a multitude of consumer items. More recently an increasing number of Americans have become aware that the full, the fulfilled life involves more than mere possessions and should include the wealth of cultural experience to be derived from the arts.

Yet here the traditional self-reliance of Americans has run into a road block. The individual cannot go to a department store or the mail order catalog and order a symphony orchestra. He has to join and become part of a cooperative, a complex organization which includes a hundred musicians, artists and conductors, a board of directors, a management staff, and a large number of subscribers and volunteers. The modern symphony orchestra has evolved, then, as something between a business corporation and an extended family. At the same time that it does everything it can to support itself, it also has to take care of its young, its old, its needy, and its handicapped.

Naturally, this is very expensive, and cannot be afforded out of ticket sales alone. If we were to charge ticket buyers the actual cost of presenting our programs, each ticket would cost two to three times what it does, and our audience would be limited to only the very well-to-do -- the traditional moneyed elite.

Needless to say, in response to the recent cultural awakening I spoke of earlier, the trend has been all in the other direction, away from symphonic music conceived as the preserve of an exalted cultural elite. It is reflected in the increasing number of people from all walks of life attending our concerts, and in their growing appreciation of a wider range of music programs. Since 1969 the number of Baltimore Symphony subscribers has more than tripled. Unfortunately, our costs have increased along with our audiences.

In Baltimore, we have built our orchestra on the principle that the classical music heritage is the birthright of every American. In consequence, we present concert series for young people which reach over 100,000 students each season, ranging from high schoolers to tiny tots. We have presented special concerts for senior citizens and for the handicapped, and encourage young people and seniors to our regular concerts with half-price tickets. In a determined effort to reach minorities, we have presented successful concerts in neighborhoods around our city, and routinely send out our musicians to perform to rural audiences across the length and breadth of Maryland.

To say that these outreach programs do not support themselves is an understatement. Many are free, and we count ourselves fortunate if we can recover one-third of the cost of the remainder through ticket income. They are supported by government grants and corporate and individual contributions -- and it is here that the federal government's assistance has proven of great value in matching the contributions of private donors, so attracting a higher level of giving.*

The symphony orchestras of America are proud of their independence. None of us wants to be dependent on government grants and hand-outs, but we do want to welcome every level of government as partners in bringing the joy of music to the American people.

It is my belief that the arts will play an increasingly important role in America's future, and that America will continue to emerge as the world's pre-eminent cultural leader. It is for this reason that artists and musicians from around the world have flocked to the United States, so as to be where the action is. This faith in America's cultural renaissance has filled our conservatories and art schools with young people eager to dedicate their talents to an artistic flowering which will rival the marvels of modern technology. It is our faith that the energy and imagination which conquered outer space will now turn inward to extend the frontiers of inner space, that

---

* For example, in 1977 the Baltimore Symphony received a $600,000 Challenge Grant from the N.E.A. which required a 3 to 1 match. During the three year grant period this grant actually achieved a 6 to 1 match in operating and endowment monies from private sources.

inexhaustible territory of the mind where the great artworks of the past survive in perpetuity and new creations are forever being born.

I am not fearful that the proposed budget cuts will completely devastate our growing culture, but I am concerned that government neglect will cause us to lose the momentum we are building up. I am concerned that, instead of increasing their support for the arts, businesses and individuals, following the government's lead, may assume that the arts have a low national priority, and may cut back their own contributions. If America is to be a cultural leader in the world, we are going to need the leadership of government. We shall not lose our cultural heritage, but we are in danger of curtailing our creativity and of denying cultural enrichment to millions who will remain unaware of what they have lost.

For the symphony orchestras, government assistance is not our bread and butter. It is more like a vitamin which makes healthy growth possible. If this vitamin is denied, the body wastes and the mind becomes listless and lethargic.

We want the government to continue to challenge us with its programs and its dollars. If this leadership is forthcoming, the arts of America will surely respond.

Sergiu Comissiona

March, 1981

SUPPLEMENTARY STATISTICS

Music for Youth Concerts - 1979-1980 at Lyric	Audience
Primary Series (Grades 1-3)	12,519
Intermediate Series (Grades 4-9)	38,122
Total Audience:	50,641
Complimentary Seats to Area Schools	
Baltimore City	7,320
Baltimore County	9,099
Total:	16,419
Attendance by Students from Special Schools	
Primary Series	
Physically/mentally handicapped	115
Hearing impaired	532
Intermediate Series	
Physically/mentally handicapped	1,078
Hearing impaired	160
Total:	1,885
Tiny Tots Concerts (Ages 3-6)	
24 Concerts	16,000
E.S.E.A. Concerts -	
4 Concerts - free to Balto. City Schools	3,400
Total Concerts & Concert Attendance	
Wednesday-Thursday Subscription Series - Lyric	64,728
Friday Series - Lyric	19,998
Saturday Pops Series - Lyric	40,139
Tour - Adult	18,950
Symphony Societies	21,000
Run-Out Adult	16,230
Music for Youth - Lyric	50,641
Run-Out Youth	26,015
Tiny Tots	16,000
Run-Out Tiny Tots	5,450
Special Concerts - Lyric	2,616
Baltimore Opera	31,392
Summer Season	266,761
E.S.E.A.Concerts	3,400
Total Attendance:	583,320

WITNESS

DAVID RALPHE, EXECUTIVE DIRECTOR, LOS ANGELES THEATER ALLIANCE

Mr. YATES. David Ralphe, Executive Director, Los Angeles Theater Alliance, and Frank Diaz, Hispanic Arts Foundation.

Mr. RALPHE. Here we are.

Mr. YATES. Mr. Ralphe, your statement will be made a part of the record.

Mr. RALPHE. Thank you.

[The statement follows:]

TESTIMONY OF DAVID RALPHE

EXECUTIVE DIRECTOR,

LOS ANGELES THEATRE ALLIANCE

Mr. Chairman and members of the subcommittee, my name is David Ralphe. As a performing artist, former Artistic Director of a regional theatre and currently Executive Director of the Los Angeles Theatre Alliance I welcome the opportunity to appear before your subcommittee.

In the past fifteen years, since the establishment of the Endowment I have witnessed, in various capacities, an unprecedented growth, not only in the variety but in the depth of cultural experiences available to the American public. Los Angeles is currently experiencing a theatrical renaissance. The phenomenal growth of developmental and experimental theatre has resulted in national recognition and has contributed to the theatrical life of the nation as indicated by the many productions that have traveled beyond California and garnered Tony Awards and very recently a Pulitzer Prize. In no uncertain terms this growth is in part attributable to the catalytic effect of the National Endowment of the Arts. The Endowment 'seed' money has activated private support for the arts and enlightened the corporate community to the hard calculable effect a flourishing cultural life can have on the economic well-being of the community. The arts are a growth industry providing jobs for artists and support personnel as well as creating a ripple effect which upgrades real estate values, brings business into a community and spearheads the revival of 'hard core' inner city neighborhoods.

Simon Rodia, out of love for humanity, spent his life building a tower which provided a focus for an entire community. His tower made possible an art center. The art center brought capital investment into the community and put local people to work. John Outterbridge, Director of the Watts Tower Arts Center credits the tower with providing the impetus for laying the groundwork for the revitalization of the Watts community.

This is but one example. To recount the effect the endowment has had upon the cultural life of Southern California alone would constitute a litany of successful arts projects that have had tremendous social and economic impact on all levels of our society.

To see this richness in our cultural life continue and grow is the responsibility of all of us; artists, local community leaders, the corporate community, and, by its own Congressional Act, the Federal Government. It is essential and 'appropriate' for the Federal Government to act as a catalyst in promoting programs that work for the greater good of our society. This has been a mission the National Endowment has successfully fulfilled. To withdraw support from the artistic and spiritual life of our nation, especially now in these 'troubled times' will send a signal to the private sector and throughout the world that this country no longer values the arts. We will be the only great nation in recent history to give such a low priority to our creative spirit.

Don't misunderstand me. The artists have historically rallied to the support of the nations' needs. As long as sacrifices and limited expectations are equally shared we too will tighten our belts, but I'm certain I speak for the overwhelming majority of my peers in the performing arts community, including the large entertainment industry in Los Angeles whose letters of support you will be receiving in the next two weeks, when I say that the arts are being asked to bear an inequitable share of the nation's current economic austerity measures, especially now, when the nation wants the arts more than ever. The percentage of support for its budget that the Los Angeles Theatre Alliance receives from the National Endowment for the Arts is small - about 10%. Yet that endorsement, if I may call it that, gives us the credibility we need to reach out to our community. We raise funds from the Los Angeles Corporate Community and from the entertainment industry. Invariably the question is asked, "Who else supports your work?" Being able to reply that the National Endowment, among others, supports the Alliance, I believe, has been a major catalytic factor in whatever success we've had raising funds from the private sector. As a representative organization of most of the theatre activity in Los Angeles, the Theatre Alliance is an information center where ideas and material are shared, where theatre and theatregoing are promoted for the entire community. It gives us at the Alliance a unique vantage point. We have seen Los Angeles emerge as an important contributor to American theatre.

Our membership is broad and varied. Some theatres have less than a hundred seats, but from them come the writers, actors, designers and technicians to fill the growing demand for the performing arts. This work flourishes in an atmosphere of encouragement. I've seen theatre artists learn and grow because of the kind of support they receive from the National Endowment. Learn to articulate their plans and goals, learn to manage their business better, learn that they labor in a nationwide community of millions of dedicated Americans. In light of the

budget priorities of the current administration these Americans have been dealt a serious blow. Is the small percentage of the National budget allocated to the National Endowment for the Arts so glaringly misdirected that it must be cut by half? I think not. And, ladies and gentlemen I am sitting here to tell you that virtually everyone else in the arts community of this nation thinks the same. These reductions will have the incipient effect of demoralizing and disenfranchising the most creative segment of our society without notably improving the economic health of our nation.

The arts community does not believe that under the current proposals the private sector will "pick up the slack." Especially not now when there will be terrible competition among the arts organizations for the same dollars and because foundations and corporations will probably give priority to other community factions also suffering from current austerity measures. Education, health and other human services. Where do the artists of this nation turn? The romantic image of the starving artist in his garrett is unfair. The notion that "they'll survive somehow" is unfair and always has been. As Americans we owe it to ourselves to support our artists. I think the National Endowment for the Arts successful history of support for the many and varied cultural endeavors of millions of Americans is symbolic of our national priorities and, as such, should be preserved and judiciously expanded. On behalf of the artistic community of California, I thank you.

Mr. RALPHE. I am a performing artist with 20 years as an actor and a director and at the moment I am representing about 60 theaters in Los Angeles. I have also taught acting about 10 years. It takes about a year to teach listening and I never really taught politicians listening. It has been amazing all day to watch you. You have been a very gracious gentleman.

What has been said today has been said far more eloquently than I could say it. There are a couple of points I can mention and one is that I have not really heard touched upon the enormous loss the arts are suffering at the moment with the cutback in the Department of Labor in terms of the CETA art programs, the apprenticeship and training program. Now the right or wrong of the CETA program is one thing. After running one I wanted out by September 29 and I was working under the earned income process to get us out and the security advances of the growth that we have made. I am very angry and upset that an action was taken that calls for the program to be collapsed in two weeks resonating in the 17,000 people being unemployed in New York and Los Angeles since I have to live with these people and since they look to me and I was the one who upgraded the expectation and placed in the last 18 months about 75 of these people into private industry in a hard job market. One of our people went from the Graphics Department and became the Assistant Art Director on costumes so it was a very successful program, and an outstanding program, and that it is gone is all right, it was meant to go, but that two weeks was brutal and what I found which alarmed me was an incredible bitterness and cynicism against this Government from the people who were affected by this and treated in this manner.

The other thing that I would like to point out, the corporate support is so fencible. In doing consultancies with theaters trying to get them to the point where they can expand their funding, expand their audiences, get an NEA grant, get them to that level of expertise, I have been concentrating on the businesses from five to ten million dollars because the carpet to ARCO is threadbare. The major philharmonics, the major institutions will get funding, but the developmental experiment is in very, very difficult shape and it has got to come from that five to ten million dollar business. They don't have the staff, they don't trust themselves to pick what is artistically viable, they don't trust themselves to be able to identify what is sound artistic management. They do look for the Federal Government primarily at this point with some of our emerging organizations to our expertise. The only reason we are there, we can get an NEA grant which does allow us to go out into the corporate community and get support as a service organization. It is very bare out there, the cupboard is very bare if you are out in the field.

One other thing I wanted to say was I hear the talk about NEA being a catalyst and between Mr. Harris and the many people today who described that in material terms I just wanted to throw out for the record a couple of instances where the ripple effect is more profound than what I think is just material.

Gordon Davidson today was talking about Children of a Lesser God. Six months after that he did a production of Trojan Women which used a silent cast and a speaking cast.

Lou Font is the founder and the man who created Ameslan, the American sign language, and since 1972 taught about 50 people a year. Now there are 15,000 people signed up constantly studying Ameslan in Los Angeles County under his direction and his teachers. The communication gap for those two productions, primarily Children of a Lesser God, is enormous in bringing the hearing impaired into the artistic community and then when I go into a supermarket and a lady who is doing the checkout is doing Ameslan I have to say how do you put a dollar figure on that event? This is an incredibly alienated segment of society.

The Hispanics in Los Angeles constitute a very major part of the population and it is very hard to integrate them into the community artistically or otherwise. The zoot suit did that. A theater called Masatros is a place where they mix and the basic fact is that anyone will admit integration when they become familiar, and how do they become familiar except through sharing each other's artistic background, and watching that happen and encouraging that to happen is one of the reasons for my being here.

The last thing is that the artist is our transformational need, he is constantly in transformation because that is the way he remains fresh and he changes and transforms the society, large or small, that he is in and to cause damage to that essential element of our society is disgraceful.

Thank you.

Mr. YATES. Thank you.

WITNESS

FRANK DIAZ, HISPANIC ARTS FOUNDATION

Mr. YATES. Mr. Diaz.

Mr. DIAZ. My name is Frank Diaz. I am former Deputy Director of the New York State Council on the Arts and I spent eight years there and it was perhaps the greatest eight years that this country has seen in the development of the arts. I found something recently and I would like to share it with you. On December 10, 1948, the UN General Assembly adopted the Universal Declaration of Human Rights and Article 22 states: "Everyone as a member of society has the right and is entitled to the realization of the economic, social and cultural rights indispensible for his dignity and the free development of his personality."

We signed that and it was the only piece that I could find other than the endowment where we support the arts in a body of one.

What I would like to speak to is the process that took place because of the endowment. The explosion of the Seventies was created because the NEA came into being; State agencies came into being; counties, towns, villages all at one point during the Seventies started to join the partnership of support to the others.

The partnership grew by the public demand. I am not talking about the arts, I am talking about the public. I am talking about the people in their communities going to these programs, going to see the films, the theater, the dance, at the small community setting and learning of it. They in turn, some of them, became participants and then demand for quality made them move from

one place to another in order to see the bigger structure, the big institution, the effect the NEA has had with that on the ground from the rural area to your major institution.

The example I would like to use is the Metropolitan Museum of Art in New York City principally because it has been the principal institution in the museum field. For the summer of 1971 they published a guide of their museum. The guide clearly states that the museum was totally European influenced, 60 percent of what they were exhibiting was great European art and about five percent was American. They had a collection of 3,000 American paintings of which 300 were shown and a few period rooms. Last year the American with a brand new structure, a beautiful structure, consisted of 1,000 paintings, 1,000 water colors, 123 sculptures and the periods. This reflects the population interest in American culture, in its heritage, what it can provide and the total participation from the point where it begins at home, the right to go into the major institution.

I would like to now just hit on a couple of issues that were brought up today and questions and one of them was the issue of training in the United States. Development in the arts, money started with the endowments and went to the State, city, county, town, village and is no different than training. You take away that first step and everything is going to buckle under. If the opportunity does not exist with support from the Government, it is not going to happen.

To state that there are five points in five levels of culture and say that one, two and three are not going to be supported and we are going to support only four and five, that is to assume that one, two and three exist on their own and do not need the support but outside of the major urban centers there are not the large professional training schools and even within the major urban centers like New York City where there are a multitude of communities, we are not talking about a city, we are talking about uptown/downtown. If you are coming from downtown, you want to go downtown—you are going uptown but it is still downtown. If you go to Queens, it is Flushing or Flatbush. If you go to the Bronx, it is the South Bronx or Pelham.

To assume that those first three steps exist is wrong because they don't exist, they have not existed. What does exist today in those communities—I am talking about minorities as well as rural-wide, as well as poor, as well as the wealthy. Those that exist today exist because the individuals like an Arthur Mitchel who was a premier dancer had the opportunity to learn the craft as an individual, one and only, the first black to dance in the New York City Ballet. Because of that reputation he had an opportunity to come across to other individuals who had money. That money in combination with the National Endowments for the Art gave him the opportunity to start a school. That school had given him the opportunity to train the dancers and in training the dancers he was able to set up the dance theater of Harlem and the international success that it has had. Financially he has had difficulty.

Not until that point did he get a Ford Foundation grant. The Ford Foundation gave him a grant but he had to balance his books every year, no deficit. No deficit in a field that is rampant with

deficits. If all the members of this committee went down to the National Endowment and took a look at the applications and the previous year's budgets of each applicant, they will see the level of support that comes from the community for the major portion of our cultural organizations there is very little.

What does 2.5 percent represent in a cut? Two and a half percent represents a cut at the Federal level. The States are already talking about how they are going to cut their budget because they are losing funds in other areas so they are going to have another 2.5 or 5 percent. County governments, it goes right on down. Take away that bottom rung of the ladder and they are all going to come tumbling down. So what does 2.5 percent mean? It can mean 14 percent, it can mean 50 percent.

What does $5,000 mean to an organization that is supported by the endowment with a budget of $50,000? The $5,000 becomes 10 percent to that small organization. That provides the general public with an area of information. That general public then builds from there. If the endowment is cut anywhere—anywhere, and I do mean anywhere—it has been a bargain. The $175 million for the arts is a bargain today and for the Federal Government to go into that and to start cutting the arts, it is going to just follow suit everywhere else

Mr. YATES. Thank you, Mr. Diaz. Your written statement will be made a part of the record.

[The statement follows:]

TESTIMONY OF FRANK DIAZ
REPRESENTING THE ASSOCIATION OF HISPANIC ARTS, INC.

During the 1970's the infusion of public dollars into the financial structure of the nonprofit arts world finally signaled our nation's commitment to our cultural heritage.

The entrance of government at both state and national levels had long lagged behind other nations in recognizing the need to develop, protect, and preserve an aesthetic environment--centuries behind to be sure. American cultural awareness was stimulated initially by a few wealthy patrons who remained the only source of support until the creation of the National Endowment for the Arts and the State arts agencies.

Public support of the arts is barely emerging from its infancy stage into adolescence: like a growing teenager it needs nourishment to enable it to become a healthy mature adult. Will this present wave of political conservatism and its concurrent governmental retrenchment destroy what showed promise of being a prodigy?

I am a humiliated American. A citizen of the wealthiest nation in history having to defend a 175 million dollar budget for the arts. In simple terms fifty states and six territories must divide seventy-seven cents per person and now we are expected to take lightly a cut of eighty-seven million to cover the same ground--thirty-nine cents per person.

To assume that the artists are fat in the theoretical "social pork barrel" is ludicrous--the figures attest to it, the lack of a strong united lobbying effort refute it and most important the fifty percent reduction recommended by the Reagan/Stockman budget prove it. Is the Endowment being cut because it lacks political muscle? Will the Congress succumb to this?

I have been an Arts Administrator for ten years and have experienced the growth within the halls of government. Let me tell you, waste is not a practice to be found in the arts--especially the nonprofit art world. The painter needs canvas, wood, or cement walls; the actor needs a stage with or without props; a playwright needs the play read, and it goes on and on. For what you ask? For the purpose of giving America a cultural identity.

Without the artists we would be much poorer. The cultural experiences now available to the people will not be available to their children. Museums will be a cultural graveyard. To make a comparison it is the same as a scientist having a fully equipped laboratory that he cannot use.

Hidden agendas form many of the philosophical values expressed by the Reagan Administration. The government cannot operate with the arrogance of personal preference

in its' choices. No single group of artists or arts organizations can define the artistic expression of a nation as diverse as the United States. Government agencies must be open to variety and diversity, the ingredients of our cultural heritage.

Without establishing organizations that can serve all the approaches to art, an economic and social selection process remains as the arbiter of both quality and aesthetic ideals.

The initial stage of cultural development in underserved communities has been the establishment of organizations equipped to identify talent, and mold raw ability into professional skill. To accomplish that goal the community, minority and ethnic artists have developed professional--and I mean professional organizations. For example, Miriam Colon, an accomplished actress, developed the Puerto Rican Traveling Theatre. It developed from one actress with an idea to a school and professional theatre company which today, March 25, 1981, after fourteen years, opens its permanent complex. Without public money the Puerto Rican Traveling Theatre would never have existed.* Without public money Arthur Mitchell could not have developed a ballet center in Harlem which as you all know is the internationally recognized Dance Theatre of Harlem.

*ATTACHMENT

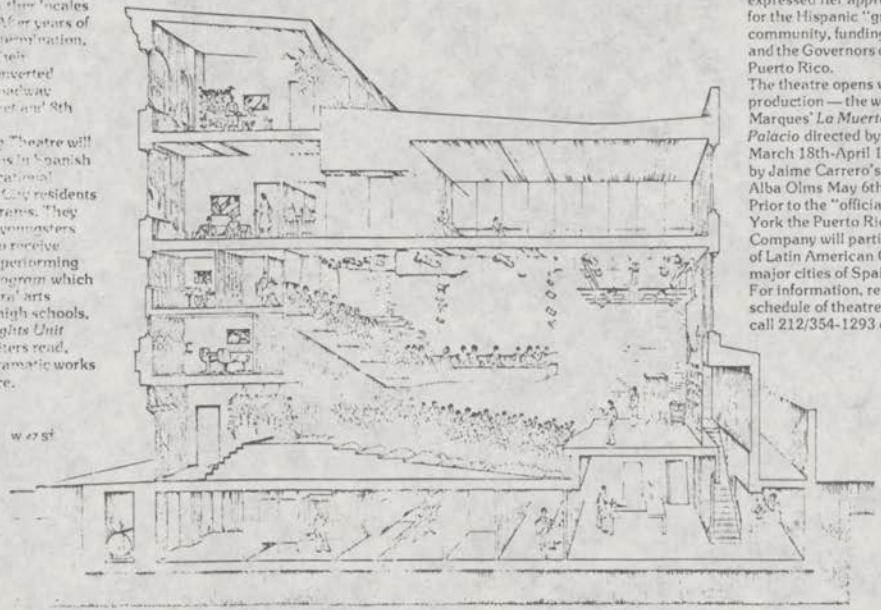
We have arrived at a point in this country where the legitimacy of government support for the arts must be firmly established. If alterations in the distribution of Federal support become a reality, the states, counties, and cities will follow.

This is a challenge. Do you believe in the cuts? Do you want the responsibility of successfully stopping the development of our cultural heritage?

THE PUERTO RICAN TRAVELING THEATRE INAUGURATES NEW HOME

The Puerto Rican Traveling Theatre founded by Miriam Colon is one of the pioneers in the Hispanic Arts Movement in New York. They have been instrumental in introducing plays by Puerto Rican and Hispanic playwrights in the streets of New York City, colleges, cultural institutions and in other locales for the past fourteen years. After years of hard work, struggle and determination, they are finally moving to their permanent home in a re-converted warehouse on the Broadway theatre district (47th Street and 8th Avenue).

The Puerto Rican Traveling Theatre will continue its productions in Spanish and English as well as educational programs for New York City residents and other arts programs. They will continue their plays for youngsters and their workshops for families to receive bilingual instruction in the performing arts, and *In-School Arts Program* which offers bilingual, multi-cultural arts workshops in three junior high schools, and a *Professional Playwrights Unit* where twenty emerging writers read, critique and develop new dramatic works under professional guidance.



In conjunction with the Inauguration Ceremony a series of activities were held to thank the many supporters of the Puerto Rican Traveling Theatre. Recognizing the moral and financial support the organization has received through the years, Miriam Colon expressed her appreciation at receptions for the Hispanic "grass-roots" community, funding sources, the press, and the Governors of New York State and Puerto Rico.

The theatre opens with its first production — the world premiere of Rene Marques' *La Muerte No Entrara En Palacio* directed by Pablo Cabrera on March 18th-April 12th, 1981. Followed by Jaime Carrero's *Betances* directed by Alba Olms May 6th-June 7th, 1981. Prior to the "official opening" in New York the Puerto Rican Traveling Theatre Company will participate in the Festival of Latin American Culture touring the major cities of Spain in March, 1981. For information, reservations, or a schedule of theatre productions please call 212/354-1293 or 749-8474.

Mr. YATES. Is that the end of it?

Mr. DIAZ. Yes.

Mr. RALPHE. Yes.

Mr. YATES. We appreciate your coming in. Thank you very much.

The subcommittee will recess until ten a.m. tomorrow.

The committee has received many statements supporting funding for the arts.

Without objection the statement from Richard Freed from the Music Critic Association will be made part of the record. The mailgram from the Poets and Writers Incorporated; the statement by William Schuman, Composer President Emeritus of the Lincoln Center for the Performing Arts; and the letter from Walter Smith and Ruth Draper of the Utah Arts Council will be put in the record. The submitted testimony from the American Arts Alliance will be put in the record as well. Also, the testimony of the Association of Independent Video and Filmmakers, the letter by Gerald George of the American Association for State and Local History, the letter by J. George Frain, Secretary of the Eighteenth and Columbia Road Business Association will be included in the record.

A statement from the North Dakota Council on the Arts will be put in the record. There is a statement by Benjamin S. Dunham of the Chamber Music America that may be put in the record.

Similarly, the statement submitted by Rita Starpattern of Women and Their Work may be made part of the record. James M. Banner, Jr. of the American Association for the Advancement of the Humanities submitted a statement that will be made part of the record.

The statement submitted by the Speech Communication Association protesting the 50 percent cut in funding for the National Endowment for the Arts may be made part of the record. The statement by Wayne Lawson of the Ohio Arts Council may be put in the record as well. The National Assembly of State Arts Agencies submitted a statement as did Jack Ossofsky on behalf of The National Council on Aging, Incorporated, Twyla Tharp for the Twyla Tharp Dance Foundation, Incorporated, James Truitte, Board Member of the National Association for Regional Ballet, and Maria C. Schaeffer, General Manager of the Repertory Dance Theater. These statements may be made part of the record.

Similarly, Sukey Lilianthal, of the Dance Coaltion submitted a statement on behalf of the arts community and citizens of the San Francisco Bay area urging federal support for the arts, this may be put in the record. Darlene Neel of the Bella Lewitsky Dance Foundation submitted a statement that will be put in the record.

The statements from Phyllis Levine, Executive Director of the Association of Ohio Dance Companies; Betty Toman, President of the National Dance Association; Dana Starkey Schumacker, Instructor of Dance at Iowa State University; Kat Fisher of Danceworkers; Trish Williamson, Director of Public and Membership Relations of the Flint Institute of Music; and Eugenia Haney, dancer, choreographer and teacher will be put in the record.

Lila Zali of the Lila Zali Ballet Center sent a statement that may be part of the record. Evely Kreason, Michigan Ballet Theater sent a statement urging federal support for the arts. Her statement may be part of the recored also.

Also, statements were received from Catherine Royce, Sue McQueen, Helen M. Churko of the Philadelphia Dance Alliance, Barbara Stuart, Beverly Gaudet of the Massachusetts Contemporary Dance Association, Barbara Baiden of the Dance Council of Central Pennsylvania, Bob Manneng of the Louisville Ballet, Valerie Gould, and Lee Werbel. These statements will be put in the record.

Pauline Koner, Director of the Pauline Koner Dance Consort submitted a statement supporting federal funding for the arts. Ms. Koner's statement may be part of the record.

The statement received from Gwen George on behalf of the Pico Neighborhood Association will be put in the record.

Theodoro Morca of the Morca Academy sent a statement that may be part of the record. Gwyn Gorg of the Claudia Chapline Idea Company sent a statement supporting federal funding for the National Endowment for the Arts. This statement will be put in the record.

Betty Emprey sent a statement on behalf of the Los Angeles Area Dance Alliance that may be part of the record. We also received a statement from Lawrence Greene that will be put in the record.

[The statements follow:]

TESTIMONY OF RICHARD D. FREED, EXECUTIVE SECRETARY, MUSIC CRITICS ASSOCIATION, INC., ROCKVILLE, MD.

Mr. Chairman, Members of the Committee, I want to thank you for the opportunity to testify in this hearing, both in behalf of the Music Critics Association and for myself.

Other countries have long recognized the arts as a collective necessity requiring public support—something like safe drinking water, public schools, decent roads. Our country was among the last to acknowledge this, and its major recognition came in the form of the National Council on the Arts and the National Endowment for the Arts. The Endowment has accomplished so much in its short history that it seems safe to suggest that the Federal Government has probably never got a better dollar's worth than it has for the amounts budgeted for and expended by this agency.

In the first place, what the Endowment's money buys is something that never becomes obsolete. The arts are among the most durable components of human life; they give form to its beauty and meaning, and enable us to express our most ennobling spiritual impulses—and it is through our activity in the arts, more than through military action or even through technology, that we reach the minds and hearts of people all over the world.

In the second place, the Endowment has been powerfully effective in drawing into the mainstream of arts support and arts participation elements of our society which has not been tapped and had not so participated before. What is especially distressing in the matter under discussion now is that budget cuts are being called for, and in some cases total abolition of the Endowment is being recommended, by persons who simply do not seem to know enough about the Endowment and how it works to make any comment at all.

I must say I find it appalling that a person in a position of high authority in advising and making decisions affecting the future of the Endowment could have been so ill-informed as to suggest the Endowment had been "detrimental" to the arts by "discouraging" business support, when in fact the principle of the matching grant on the Endowment's part has been the greatest *stimulant* to business giving. The very name of the Exxon/Arts Endowment program, in which young Amerian conductors are enabled to develop their skills working with major American orchestras, is a symbol of the productive partnership between the Endowment and the business community.

In last Sunday's Washington Post a writer calling for abolition of the Endowment implied that it is wasteful to spend money commissioning new music because once the premiere takes place a second performance is hard to come by. Is it possible that a man who undertakes so serious a condemnation of the National Endowment can be unaware of the Endowment's creative imagination in dealing with this very problem? At the time of the U.S. Bicentennial the Endowment participated in a program in which more than a dozen composers were commissioned and thirteen orchestras were lined up (in two groups numbering seven and six, respectively) to perform the new works in round robin fashion, thus assuring each composition of not only that second hearing but at least a half-dozen presentations in as many cities. By now most of these Bicentennial-commissioned works have entered the repertories of orchestras that were not involved in the original program.

American orchestras, by no means incidentally, are recognized now as the finest in the world. They are important entities in our national life, and require and deserve the sort of support from the Endowment that has enabled them to achieve and sustain their international status. And they are not simply memorializing "European culture." Only last month the National Symphony Orchestra in Washington, under its Russian conductor, introduced audiences to some all but forgotten treasures from our country's own rich but still largely unknown musical past. Our own musical creators need this attention; our audiences need to know this music. The aforementioned writer in last Sunday's Post identified himself as a man who doesn't listen to "classical" music later than Beethoven, who doesn't "go to concerts much because it is such a tense, edgy way of listening to music," and who doesn't care if the number of American orchestras "dwindled." Is this really competent background for criticism of, or any comment on, the Endowment?

The Music Critics Association, which I represent, is the professional society of music critics, with a healthy membership representation from all parts of the country. The Association's educational arm, MCA Educational Activities, Inc., has been receiving a grant from the National Endowment for the Arts since 1974. Ours is probably one of the least conspicuous activities supported by the Endowment, and definitely one of the minor items in its budget, but what we have been accomplishing with our grant, I think, illustrates the good value the taxpayers are getting for what the Endowment pays out.

Our grant has enabled us to reach a greater number of critics and a larger segment of the musical community than ever before in continuing a unique program for the training of professional critics. Our program of Music Critics Institutes, workshops, seminars, etc. is not designed for students, or for people who think they'd like to become music critics, but for individuals who are actually functioning as critics and reviewers at various levels. The Institutes are related to major musical events, ranging from revivals of baroque masterworks, to premieres of new operas, to jazz; they involve senior critics, musicians, scholars, administrators and editors as tutors in expanding both the musical competency and the jounalistic skills of the participating fellows. At present there are "graduates" of our Institutes serving as chief critics for newspapers in Boston, San Francisco, Chicago, Saint Louis, Milwaukee, Cincinnati, Pittsburgh, Seattle and other cities of various size across the continent; several of them have acknowledged that their experience in the Music Critics Institutes was a major factor in preparing them for these positions. Our objective, however, is not to enable critics to move up to bigger jobs, but simply to enable them to function as more effective critics wherever they may happen to be, for the benefit of whatever community they may serve.

This program has been demonstrably effective in raising the standards of the profession, and has been of direct benefit to the public in equipping critics to be more reliable and communicative purveyors of both information and judgment. Informed, able critics bring the musical creators and performers closer to their public, for their mutual benefit.

Like other recipients of Endowment grants, we have to match our grant with funds from other sources—from our membership itself, from our co-sponsors in the operation of the Institutes, from private foundations, from businesses in the respective communities in which the Institutes are held, etc. This, too, enables us to relate to and involve directly elements of these communities which would not otherwise be involved in such undertakings; this benefits not only our own program, but the events around which they are built and the musical and educational institutions in the respective communitites—as well as the readers of the publications for which the Institute participants write. There are what might be called "spin-off" benefits on many levels and in many communities.

I have tried to describe our program, simply to illustrate one of the less known but vitually effective segments of the Endowments's overall music program. The Endowment has never told us what sort of Institutes to hold, or whom to invite to teach in them. While the Endowment has, through its sponsorship of commissioning programs, brought into being a great number of significant new works, and through such programs as the Exxon/Arts Endowment conductors' program encouraged American performers, it has not, to my knowledge, ever told anyone whom to hire or what to perform. The idea that Endowment support might mean Endowment control has been disproved year after year.

Everyone wants to save money, and American taxpayers will welcome any reasonable way to cut down on their heavy burden, but I'm sure I'm not alone in feeling that our priorities have to be seriously questioned. A non-public, absolutely "for profit" corporation, a major automobile manufacturer that had vociferously supported "free enterprise" and resisted "government interference," goes in the red and is bailed out by Federal money, while many families still face financial ruin in dealing with medical costs. The Surgeon General warns us that smoking can make us sick and even kill us, and yet one item in the Federal budget that will absolutely under no circumstances be cut is the subsidy to tobacco growers. Cuts in daycare support will turn working taxpayers into unemployed welfare recipients. I have to ask, not in sarcasm but in the most urgent seriousness: Are music, theatre, dance, painting, sculpture and literature less essential to our healthy national life than the growing of a poisonous plant? Are the practitioners of these arts somehow less important or less valuable than an ineptly run automobile company's executives? A great many people are asking these questions, and hoping for answers that make sense.

Thank you again for allowing me to take part in this hearing.

[Mailgram]

POETS & WRITERS INC.,
New York N.Y., March 20, 1981.

Hon. SIDNEY YATES,
Chairman, House Subcommittee on Interior and Related Issues,
House of Representatives, Washington D.C.

On behalf of the literary community, we strongly urge you to support the National Endowment for the Arts. The literature program in particular has proved to be of vital importance to writers nationwide.

John Ashbery, Frances Fitzgerald, Mary Gordon, Elizabeth Hardwick, John Irving, Norman Mailer, Bernard Malamud, James Miohener, Arthur Miller, Mary Lee Settle, William Styron, and Eudora Welty.

STATEMENT BY WILLIAM SCHUMAN, COMPOSER, PRESIDENT EMERITUS, LINCOLN CENTER FOR THE PERFORMING ARTS, PRESIDENT EMERITUS, JUILLIARD SCHOOL OF MUSIC

A few of us are old enough to remember the many years of dedicated effort it took to win federal support for the arts. Why did it take so long? Why was America alone among the great nations of the world in its lack of official concern for the flowering of its arts? It took so long because our young country was, of necessity, preoccupied with material concerns. It was only gradually that our huge democratic society came to recognize the deep love and reverence which so many of its people had developed for the arts. Action in the highest executive and legislative branches followed the inescapable realization that America, whatever its other attributes, is a land of art.

The achievements of our creative artists and our institutions of the arts are equal and in many respects superior to those of other lands. And the increasing involvement of Americans from all levels of society has been phenomenal—whether we talk about ballet companies, chamber music groups, orchestras, regional theaters or museums. More and more of our countrymen are finding inspiration, solace and pure delight in their exposure to the wonders of art.

To decrease expenditures for the arts at the very moment when we see such an astonishing increase in public demand and participation goes against the very concept of democracy. Without government subsidy, the arts can be available only to the few. But the many have the right of exposure to the best of art if we are serious when we speak of equal opportunity.

It has been my privilege to have lived long at the center of American artistic life. For nearly 50 years, I have worked as composer, teacher publisher, and administrator of a great professional school and a major center for the performing arts. I know from first-hand experience that the best in art must be subsidized. To be sure, the market has a place in evaluating art as it does for any other commodity. But if the marketplace were the exclusive measure of the worth of art, we would be without orchestras, museums, opera, ballet, and non-commercial theater.

Over the centuries, the civilizations of nations have been measured by their cumulative cultural achievements. The process is a long term continuum. But, in the short term, there is always a hiatus between the innovative creative act and the public understanding and acceptance. it is precisely here that government support and encouragement must be maintained.

The few dollars which should be saved by the drastic cuts proposed are a nothing compared to the riches they bring in the value of inner meanings—the special inner meanings which the arts give us are unique to their realm: unique to the experience of each in which all haye a stake and an identity. This unique realm must not be placed outside the reach of any American who seeks its benefactions.

Taking away any government support now from its present extremely modest, hard-won funding level will be a totally destructive act. It will sharpen not only our own, but the world perception of the official United States attitude toward the arts—no priority. Will the Congress itself accept the responsibility for obstructing the continuity of America's emergence as a world leader in this exalted sphere of human endeavor?

UTAH ARTS COUNCIL,
Salt Lake City, Utah, March 1981.

Re testimony supporting funding for the National Endowment for the Arts.
To the House Appropriations Subcommittee chaired by Representative Sidney Yates.

Throughout its history, Utah has always regarded the arts as imperative for the well-being of its citizens. That prevailing philosophy has prompted continuous legislative support for the arts since 1899. No one can dispute that this public support has had a major impact on the development of the quality symphony, ballet, etc., that enhance our lives today, even though today those major institutions depend on the public support for less than 10 percent of their budgets.

With help from the National Endowment, the state arts budget has increased tenfold and more over the last fifteen years. This year, the legislative body was determined to reduce government spending, and did cut the budgets of nearly every state agency. The arts budget, however, was increased again.

The arts have never received what they ought to receive from a nation that considers itself a leader among nations. There can be no excuse for cutting an already too small budget. If Utah, with its limited economy, can increase its arts budget during this period of economic stress, surely we can expect our nation to do as well.

WALTER G. SMITH, *Chairman.*
RUTH R. DRAPER, *Director.*

TESTIMONY Of

American Arts Alliance

This testimony has been submitted on behalf of the over 400 non-profit professional performing and exhibiting arts institutions that belong to the American Arts Alliance and the thousands of talented people involved with these institutions.

To say that we are concerned with the Administration's proposal to reduce the funding of the National Endowment for the arts by 50% is greatly to understate our position.

To say that the $87 million involved will significantly affect our national budget is greatly to overstate the case.

The reality of this situation is a clash of values and attitudes. The position of the Administration: "The arts are a low priority item." The position of the majority of Americans: The arts are a major ingredient affecting the quality of their lives.

In order to bring a perspective to these divergent opinions, we would like to examine three questions which we feel are key to the decision of whether Federal funding to the arts will continue to grow.

Is there an appropriate role for the Federal government in funding artistic activity?

Has the National Endowment for the Arts provided the proper mechanism to administer the Federal monies?

What effect has the Arts Endowment had on the arts in America?

THE FEDERAL ROLE

It is generally agreed by experts in the study of democracies that it is the role of the Federal government to financially support those areas where a national interest is served. Can anyone question that it is in our national interest to nurture those aspects of our society which exemplify the best America has to offer? Not only does that support improve the quality of life at home, but it increases the respect for the United States throughout the world.

Among our greatest resources are food production, technological innovation, military strength, and the arts. Federal aid has been a major factor in the development of the first three. However, Federal aid to the arts is a relatively recent commitment, one that is comparatively small.

It has only been during the past five presidencies that the Federal government, recognizing the significant contribution of the arts to our nation, has made a commitment to the arts. During that period, the arts have been a truly bi-partisan issue. President Kennedy, whose administration laid the groundwork for the Endowment, said that the arts "far from being an interruption, a distraction in the life of a nation, (are) very close to the center of a nation's purpose - and (are) a test of the quality of a nation's civilization." The belief that arts support is an appropriate role for the government had one of its strongest advocates in President Nixon, during whose term the Endowment experienced its greatest growth.

How do the arts serve our national interest? Importantly, they unite us across this vast land because they appeal to feelings basic to all men. They bring us joy, and also force us to reflect upon our lives. They provide us with "a better analysis of the present and a better view of the future."

At a recent Congressional hearing before the Post-secondary Education Subcommittee, one Congressman stated that the reason more money should not be put into the Arts Endowment was that, as a major power, we had a responsibility to stress defense. We do-have an obligation to ensure the adequate defense of this country. But what is it that we are defending? Free artistic and cultural expression without fear of censorship is one of our nation's most envied values.

Are we not under a similar obligation to ensure an atmosphere where all expressions of art, not just those that are commercially viable, can flourish. After all, a new artistic expression for one generation often becomes incorporated into the mainstream of subsequent generations.

It is interesting to note that in contrast to the misgivings of the Congressman who felt we could not fund art because of our military commitments, the Department of Defense places great emphasis on the importance of art in stimulating energy and commitment among its personnel. In FY '80 the five branches of the military allocated approximately $51.8 million to their music programs alone. It is disheartening to compare that to the $13.5 million which the Arts Ednowment's music program had in that same year to divide among our nation's orchestras, musicians, composers, and

chamber, choral, jazz, and contemporary music groups.

The Endowment's authorizing legislation states that our position as world leader, ". . . cannot rest solely upon superior power, wealth, and technology, but must be solidly founded upon worldwide respect and admiration for the nation's high qualities as a leader in the realm of ideas and of the spirit." Now more than ever, we need to strengthen our position, not only in the eyes of the world, but also in the eyes of every American who must daily battle the effects of inflation and an ever increasingly impersonal society. The arts can significantly contribute to the improvement of our national self-esteem.

THE ROLE OF THE NATIONAL ENDOWMENT FOR THE ARTS

The Arts Endowment celebrated its fifteenth birthday this past year. At this juncture it is worthwhile to ask whether the Endowment has been the proper mechanism to administer the Federal mandate outlined above. When the Federal government first became involved in arts funding the arts community was pleased with the goals outlined in the Endowment's authorizing legislation, but was concerned about the development of the Federal role. Specifically, the arts community voiced anxiety over the possibility that government bureaucrats with no artistic training would be given responsibility for direction of our nation's artistic vision.

Fortunately, this concern was unfounded, for the decision-making process - establishment of policy as well as the distribution of grants - was kept in the hands of artists. Panels of peers

were established to prevent any one artistic outlook from influencing the distribution of funds and to avoid cries of censorship.

From the beginning it was intended that Federal support for the arts would be one leg of a three-legged system in which private individual and corporate support represented the remaining "legs". This balance has successfully prevented any one funding source from influencing the artistic growth and direction of the institution it is funding.

The Endowment has also been successful in generating new artistic approaches by assembling under one roof the finest artistic talent in the country. Not only can artists within one discipline share ideas with colleagues, but artists from diverse disciplines can come together to share their successes and failures. Successful programs inititated in one field (ie., dance touring, directing fellows) have been modified and applied to other art forms.

There is a distinguishing feature of the Arts Endowment's operation which makes it unique among Federal programs. When a problem is discovered in a particular field, an Endowment program is established to address that situation. When the situation has been rectified to the satisfaction of the field, the Endowment terminates the program. Scarce Endowment dollars cannot be used to maintain a program which has accomplished its objectives.

The cultivation of an atmosphere in which art can grow and develop a faithful audience requires constant dedication. "While no government can call a great artist into existence," says the Endowment enabling legislation, "it is necessary and appropriate for the Federal government to help create and sustain not only a climate encouraging freedom of thought, imagination and inquiry, but also the material conditions facilitating the release of this creative talent."

Prior to 1965, the arts, located in a handful of cultural centers, were not accessible to the majority of Americans. Since the creationof the Endowment, professional arts insitutions have sprung up in communities across the land. They tour to those areas that cannot sustain their own resident companies and play to sold-out houses. The explosion of arts institutions and their audiences since 1965 proves that there had been a national interest in the arts that had not been tapped and that Endowment programs have stimulated this unprecedented growth.

THE EFFECT OF THE ARTS ENDOWMENT ON THE ARTS IN AMERICA

The Endowment has been a highly successful mechanism for distribution of Federal funds to tht arts, but has it simply doled out money for a selected number of projects or has it stimulated the creative atmosphere allowing greater artistic growth and increased audience demand? The response to the latter question is an emphatic "yes".

Artistically the Arts Endowment has been instrumental in the preservation of our cultural legacy and in the creation of new artistic opportunities. To a great extent this has been achieved because each discipline (opera, theater, museum, etc.) has freedom to determine its needs and to create programs to meet these needs.

One can find examples to illustrate this point from any of the five major arts disciplines. Below will be found just two examples.

Only a generation ago, it was nearly impossible for young American opera singers to participate in auditions anywhere in the United States. There were a few companies that would audition young singers, but finding work almost always meant going to Europe, separating from family and friends, and draining America of its greatest operatic talent.

However, during the past fifteen years, the Endowment, through policies which encourage companies to use American artists, has reversed this situation. Today young singers do not, out of necessity, have to leave these shores in order to be heard and to develop their skills.

It was not just American singers who lacked forums to display their talents. American composers of operatic music faced similar barriers. Prior to the creation of the Endowment, there were few opportunities in America for presentation of indigenous opera. The Endowment, by supporting the National Opera Institute in the the past, and by its current New American Works Program, has encouraged the production of . American opera repertoire.

In 1979 the nation saw 79 premiers of American operatic works, whereas a decade earlier there were but 17.

If the Endowment's programs have succeeded in opera, they've caused a revolution in dance. In 1965 the dance world was centered almost exclusively in New York City. At that time there were only 30 companies that performed regularly. Dance clearly needed to grow, but to do so it had to cultivate an audience. Through two Endowment programs both goals were accomplished.

The first program, Dance Touring, is a partnership among the Federal government, dance companies, and local individuals, corporations, and foundations which bring high quality dance to communities throughout America. This program has caused the growth of dance in this country in three different ways. The first is that due to financial support of the aforementioned partnership, ticket prices are kept low enough to attract as broad an audience as possible. The second is the variety of non-concert activities which the touring companies provide in addition to performing: teaching classes in schools and colleges, visiting and performing in senior citizen homes and in hospitals, all of which bring dancers into direct contact with members of the communities. The third way in which the growth of dance has been encouraged by the Endowment is through attraction of matching funds from the private and corporate sector

in the host community.

Dance touring began in 1967. By 1973 dance companies had sprung up throughout the nation. Local sponsors who brought in dance to improve the quality of life were soon to discover a second reason to sponsor dance -- an economic reason. In FY '80 the Endowment provided the Dance Touring Program with $2.5 million. This allowed 82 companies to participate in the program. They attracted 327 sponsors and toured a total of 334 1/2 weeks covering 49 states and jurisdictions. It has been estimated that by the time these companies completed their tours, the $2.5 million generated expenditures eight times the initial federal investment and was worth nearly $20 million in local economic activity throughout the country.

The second Endowment program which has been responsible for the growth of dance in America is the funding of public television programs such as Dance In America, Great Performances, and Live From Lincoln Center. Through the medium of television, American audiences have been exposed to the finest dance companies the world has to offer. Each time these programs are broadcast they reach an estimated audience of 2-4 million. If one examines the phenomenal growth in audience at live performances, one cannot help but note that Americans are not simply satisfied to watch dance on television. They want to see it live and are turning out in droves to do so.

As a result of the exposure dance has received through these two Endowment programs, the number of companies has grown from

30 in 1965 to 400 today. Audience attendance which was one million in 1965 (80% of which was based in New York City) has grown to an astounding 16 million today and has spread across America.

It is not just the touring of New York based companies that is resposible for this audience growth. Because of the visibility that television and touring have provided, an atmosphere has been generated in communities around the nation which has provided the financial and audience support to maintain resident dance companies which now exist not only in major metropolitan areas but in smaller cities such as Winston-Salem, Pittsburgh, and Tulsa.

Similar Endowment programs in the fields of theater, art museum, and music have affected the growth of these arts disciplines as well. Statistics illustrating this growth have been presented to this subcommittee in previous hearings, but to emphasize the effect of the Endowment on the cultivation of an atmosphere where the arts can flourish, I believe that they are worth repeating. The ranks of theater-goers have swelled from one million in 1965 to 14 million in 1980. Opera audiences doubled in that same period from 4.7 million to 9.2 million. Concert audiences have tripled from 8.6 million to 23 million.

During the fifteen years the Endowment has existed this growth in audience and the demand for more artistic events has resulted in an explosion in the number of arts institutions. In 1965 fifteen large professional theaters existed. In 1980 there were 147. During this same period symphony orchestras

grew in number from 25 to 150, while opera companies grew from 27 to 109.

The Endowment's impact on audience growth is not simply a matter of more people attending an event at a concert hall. Endowment programs have enabled orchestras to perform free concerts in parks and town squares. Theaters take their works into nursing homes and hospitals. Opera companies tour and play to sell-out houses in remote parts of states which cannot afford to maintain their own professional opera companies. The Endowment has helped make the professional arts accessible to audiences all over America.

Even more significantly, Endowment funding has provided the arts in America with a small financial cushion that has allowed artists to take risks without the fear fo financial ruin. The arts, like all growing fields, need to devote time, energy, and money to research and development -- which, in short, is risk-taking. If we fail to do this, where will we find the next generation of composers, playwrights, and visual artists?

In addition to the increased artistic opportunities created by the Endowment, it has also had a catalytic effect on the economics of support for the arts in America. Endowment grants comprise approximately 7% of an institution's budget - a small investment, but not so small that it would not be missed if eliminated. This money acts as a magnet attracting private individual and corporate support which, when totalled, can comprise as much as one-third of an arts institution's budget.

Corporate support for the arts was $22 million in 1966. Four years later it rose to $68 million and in 1980 it had reached $436 million -- 20 times what it had been in 1966.

Private individual giving has also grown in leaps and bounds since the formation of the Arts Endowment. Between 1955 and 1965 private individual giving went from $199 million to $205 million, a 3% increase. Since 1966 individual giving has risen twelve to thirteen times. Today it is $2.7 billion.

It is President Reagan's expectation that private individuals and corporations will pick up the financial gap created by a 50% cut in the Arts Endowment funding, but all indications are that this will not be the case. Current tax laws affecting the standard deduction and itemizing tax returns discourage middle income patrons from donating to the arts. The response to date from the corporate community is that they cannot possibly replace withdrawn federal support. Robert Thill, contributions committee secretary of the American Telephone and Telegraph Company recently stated in the Wall Street Journal that he doesn't "see it in the cards that we'll be able to pick up that much slack." Mrs. John D. Rockefeller, III, arts patron and museum board member, recently was quoted, "I do not believe there is any great untapped resource that will be found as a result of these cuts. There should be a mixture of private foundation, individual, corporate, and government funds, and no one group should predominate." Arts funding in the United States has been based on this philosophy of a mix of public, private, and corporate support with no one group having a dominant hand. Not only will the pull-out of federal funds cause an imbalance in this

mix, but it seems likely that the others in this partnership would follow the "new philosophy" of the Reagan Administration -- placing a low priority on arts funding as well. This is of great concern to the arts community.

Finally, a word about Mr. Stockman's OMB report. The report is the only written source for the Administration's reasons for recommending a 50% cut in the Endowment's budget. Other sources imply, however, that the cut is so severe because the Arts Endowment serves the "elite" of our nation. Cutting the Endowment would be seen as a gesture by the Administration to balance the recommended cuts in programs which serve the poor.

Those who have espoused such convoluted thinking are not familiar with the vast array of services which our nation's artists and arts institutions provide to those individuals who could not ordinarily afford or have access to the arts. Through outreach programs discussed above, orchestras bring their music into public schools and provide free lunchtime concerts; theaters offer senior citizen discounts and free plays in parks and hospitals; opera and dance companies tour our nation taking their works into areas which have no resident professional companies. Museums charge admissions far below their actual operating expenses and many offer a pay-what-you wish-admission policy.

Cuts in the Endowment's funding will result in budget cut-backs in arts institutions across the nation. The future of continued outreach will be extremely vulnerable in light of such cuts. It will not be the "elite" who will be affected, but once again those who cannot afford or do not ordinarily have access to the arts.

One could hardly call the majority of America's artists, who will be hard hit by such cuts, a financial "elite". Cuts in the Endowment's budget will result in increased unemployment among artists. As jobs disappear, many will collect unemployment insurance which, in the long run, could cost the government hundreds of thousands of dollars.

A grant of a few thousand dollars can keep a company going, perhaps allow the extension of a season, or the hiring of additional artists which will reduce the ranks of the unemployed.

The Congressional Budget Office estimates that an increase in unemployment of 1% costs the Federal Government %5 to $7 billion -- roughly $5 to $7 thousand per person. Employees of a dance company that is performing are working! If Endowment budget cuts reduce or eliminate an institution's grant and force a season to be shortened or aborted, company members will be out of work and will collect unemployment. Are we being penny-wise and pound foolish when suggesting cuts in arts funding?

The future of the arts in this country is not being placed in jeopardy simply by the proposed 50% cut in the Endowment's budget. Other federal programs that serve our nation's arts community are being threatened with budget cuts as well. The result is that arts funding is being chipped away from all sides.

The CETA program, which has been recommended for extinction, currently provides a great many employment opportunities for artists. Proposed cuts in the Office of Education's budget

will greatly curtail programs that enrich our youngsters and develop future audiences. Arts institutions rely heavily on non-profit bulk mail to reach their constitutents and build their subscription audience. Proposed cuts in postal subsidies will significantly increase the postal budgets of all arts institutions and will siphon money from the creation of art. The cumulative effect of these cuts will have a major impact on the ability of the arts institutions to continue to provide the number and calibre of programs which audiences demand.

Cutting the budget to the extent recommended by the President makes little sense. Where else do you get something positive.for your federal dollar? Not only do the arts add to the quality of cultural life in the areas where they are located, but they also contribute significantly to the economic growth of the area. Whether you examine Baltimore, Maryland or Seattle, Washington, or any community in between, the results are the same, the arts have a significant economic impact on the region they serve.

A 1976 study commissioned by the National Endowment for the Arts and carried out by the Johns Hopkins University has documented this impact in Baltimore. The report showed that in 1976, the eight arts institutions studied spent $5.3 million on goods and services and an additional $4 million on wages and salaries. Local attendees numbered 718,000 and

spent $2.6 million in addition to ticket fees on a variety of ancillary services (dinner, shopping, etc.). Visitors from outside the region, who indicated that they specifically came to Baltimore to partake of an arts event, numbered 43,000 and spent $1.9 million on ancillary services--money that would not have entered the Baltimore economy had there been no arts institutions in the city.

The study documented that $29.6 million of direct and indirect business volume resulted from arts institution related activities.

Although the eight institutions are tax-exempt, they paid $151,767 to the local government through various taxes (i.e. local income tax). In addition, the activities of the eight institutions were responsible for 1,175 full-time jobs in the Baltimore area. It is important to note that Federal funds contributed $368,121 to the eight arts insitutions in 1976. That same year the city's arts institutions participated in the generation of approximately $43.5 million to the economy.

Finally, it should be pointed out that the arts are not distant or separate from America, but very much a part of the fabric of our nation. An unemployed artist is no less employed than an unemployed factory worker. Inflation has no less of an impact on arts institutions and artists than it has on a steel assembly plant and its employees.

The arts are not immune from the effects of today's recession. We are plagued by the same problems that face the rest of the country's industries. With seed money from the Endowment, however, the arts are able to attract additional funds to grow, to bring economic revitalization to areas once blighted and abandoned, to generate tax dollars for the Federal Government, and rather than feed the malaise of America, to help revive it.

However, without the continued commitment that the government has shown in the past fifteen years and the level of financial support that has recently been reached, there is no doubt that the strides this country has made in generating an atmosphere wherein the arts can flourish, will quickly erode. Despite increased audience demand, programs throughout the country will be forced to be cut back and I am sorry to say that we will witness the closing of quite a number of high quality arts institutions.

During World War II the people of Dresden sacrificed food and heat to save their art treasures. We are not in their plight, but do we have their vision? Decades are spent publishing volumes about the treasures lost to wars--the ruined castles of Europe, the churches that have disappeared, the paintings that could not be saved--we know them now only through these books. To prevent such a disastrous turn of events, a FY '82 budget for the National Endowment for the Arts of $175 million is essential.

We need art desperately to preserve our humanity, for it is through art that we maintain the memory of life on this planet, not for one lifetime, but to be passed from one generation to the next.

American Arts Alliance

MEMBER INSTITUTIONS

A Contemporary Theatre • The Acting Company • Actors Theatre of St. Paul • Akron Symphony Orchestra • Alabama Shakespeare Festival • Alabama Symphony Orchestra • Alaska Repertory Theatre • Albany Symphony Orchestra • Albright-Knox Art Gallery • Allen Memorial Art Museum • Allentown Art Museum • Alley Theatre • Alliance Theatre Company • AMAS Repertory Theatre • American Ballet Theatre • American Conservatory Theatre • American Festival Ballet • American Stage Festival • Amon Carter Museum of Western Art • Anchorage Civic Opera • Arena Stage • Arizona Opera Company • Arkansas Opera Theatre • Arkansas Symphony Orchestra • The Art Institute of Chicago • Artpark • The Asian Art Museum of San Francisco • Asolo State Theater • Atlanta Ballet • Atlanta Symphony Orchestra • Augusta Opera • Ballet West • Baltimore Museum of Art • Baltimore Opera • Baltimore Symphony Orchestra • Barter Theater • Bella Lewitzky Dance Company • Berkeley Repertory Theatre • Berkeley Stage Company • Bill Evans Dance Company • Boarshead Theatre • Boise Philharmonic • Boston Symphony Orchestra • Boston Ballet • Brooklyn Museum • Brooks Memorial Art Gallery • Buffalo Philharmonic Orchestra • California Chamber Orchestra • Canton Symphony Orchestra • Carnegie Institute Museum of Art • Cedar Rapids Symphony Orchestra • Center for the Fine Arts, Miami, FL • Center Stage • Central City Opera House Association • Charlotte Opera Association • Charlotte Symphony Orchestra • Chicago Opera Theatre • Chicago Symphony Orchestra • Children's Theatre Company • Cincinnati Opera Company • Cincinnati Playhouse • Cincinnati Symphony Orchestra • Circle Repertory Theatre • Civic Opera of the Palm Beaches • Cleveland Museum of Art • Cleveland Opera Company • Cleveland Orchestra • Cleveland Playhouse • Colorado Opera Festival • Colorado Springs Fine Arts Center • Colorado Springs Symphony Orchestra • Columbus Museum of Art • Columbus Symphony Orchestra • Connecticut Opera • Corning Museum of Glass • Currier Gallery of Art • Dallas Ballet • Dallas Civic Opera • Dallas Museum of Fine Arts • Dallas Symphony Orchestra • Dallas Theater Center • Dance Center of Columbia College • Dance Theatre of Harlem • Davenport Municipal Art Gallery • Dayton Art Institute • Dayton Ballet • Dayton Philharmonic Orchestra • Denver Art Museum • Denver Center Theatre, Co. • Denver Symphony Orchestra • Des Moines Art Center • Detroit Institute of Arts • Detroit Symphony Orchestra • Duluth-Superior Symphony Orchestra • The Empty Space Theatre • Erie Philharmonic Orchestra • Eugene O'Neill Theater Center • Everson Art Museum • Fargo-Moorhead Civic Opera • Feld Ballet • Fine Arts Museums of San Francisco • First All Children's Theatre • 5 by 2 Plus • Flint Institute of Arts • Florentine Opera of Milwaukee • Florida Studio Theatre • Florida West Coast Symphony Orchestra • Fogg Art Museum • Ft. Lauderdale Symphony Orchestra • Ft. Wayne Philharmonic Orchestra • Ft. Worth Art Museum • Ft. Worth Opera • Fresno Philharmonic Orchestra • GeVa Theatre • George Street Playhouse • Gibbes Art Gallery • Glendale Symphony Orchestra • Glimmerglass Opera Theatre • Goodman Theatre • Grand Rapids Symphony Orchestra • Great Lakes Shakespeare Festival • Greater Miami Opera Association • Guthrie Theater • Harrisburg Symphony Orchestra • Harry's Foundation, Inc. • Hartford Ballet Company • Hartford Stage Company • Hartman Theatre • Hawaii Opera Theatre • Herbert F. Johnson Museum • Hinsdale Opera Theatre • Hippodrome Theatre Workshop • Honolulu Academy of Arts • Honolulu Symphony Orchestra • Honolulu Theatre for Youth • Houston Ballet • Houston Grand Opera • Houston Symphony Orchestra • Hudson River Museum • Hudson Valley Philharmonic Orchestra • Independent Eye • Indiana Repertory Theatre • Indiana University Museum of Art • Indianapolis Symphony Orchestra • International Museum of Photography at George Eastman House • Intiman Theatre Company • Invisible Theatre • Jackson Symphony Orchestra • Jacksonville Symphony Orchestra • Jean Cocteau Repertory • Joffrey Ballet • Julian Theatre • Kalamazoo Symphony Orchestra • Kansas City Philharmonic • Kentucky Opera Association • Kimbell Art Museum • Knoxville Symphony Orchestra • Lexington Philharmonic Society • Living Stage • Long Beach Symphony Orchestra • Long Wharf Theatre • Looking Glass Theatre • Loretto-Hilton Repertory Theatre • Los Angeles County Museum of Art • Los Angeles Philharmonic Orchestra • Louisville Orchestra • Lubbock Symphony Orchestra • Lyric

76-703 0 - 81 - 19 (6b)

Opera of Chicago • Lyric Opera of Kansas City • Magic Theatre • Manhattan Theatre Club • Mark Taper Forum • McCarter Theatre • Memorial Art Gallery • Memphis Symphony Orchestra • Merce Cunningham Dance Company • Metropolitan Museum of Art • Metropolitan Opera Association • Michigan Opera Theatre • Milwaukee Repertory Theater Company • Milwaukee Symphony Orchestra • Minneapolis Institute of Art • Minnesota Opera Company • Minnesota Orchestra • Mississippi Opera Association • Missouri Repertory Theatre • Mobile Opera Guild • Monterey County Symphony Orchestra • Murray Louis Dance Company • Museum of Fine Arts of Houston • Nashville Symphony Orchestra • National Black Theater • National Symphony Orchestra • The Negro Ensemble Company, Inc. • Nevada Opera Guild • Neuberger Museum • New Dramatists • New Haven Symphony Orchestra • New Jersey Shakespeare Festival • New Jersey State Opera • New Jersey Symphony Orchestra • New Mexico Symphony Orchestra • New Orleans Museum of Art • New Orleans Opera • New Orleans Philharmonic Symphony Orchestra • New Playwrights' Theatre of Washington • New York City Ballet • New York City Opera • New York Philharmonic Orchestra • New York Shakespeare Festival • Newark Museum Association • Newport Harbor Art Museum • Nikolais Dance Theatre • Northeastern Pennsylvania Philharmonic • North Light Repertory • Norton Gallery and School of Art • Oakland Symphony Orchestra • Omaha Magic Theatre • Omaha Symphony Orchestra • Ontological-Hysteric Theatre • Opera Company of Boston • Opera Company of Greater Lansing • Opera Company of Philadelphia • Opera Memphis • Opera Omaha • Opera Theatre of St. Louis • Opera Theatre of Syracuse • Oregon Shakespeare Festival • Oregon Symphony Orchestra • Pacific Northwest Ballet • Palisades Theatre • PART • Pasadena Symphony Orchestra • Paul Taylor Dance Company • Pennsylvania Ballet • Performance Community • Philadelphia Drama Guild • Philadelphia Museum of Art • Philadelphia Orchestra • Philbrook Art Center • The Phillips Collection • Phoenix Art Museum • Phoenix Theatre • Pierpont Morgan Library • Pittsburgh Opera • Pittsburgh Public Theatre • Pittsburgh Symphony Orchestra • Players State Theatre • The Playwrights' Center • Playwrights Horizons • Portland Art Museum • Portland Opera • Portland Symphony Orchestra • Puerto Rican Traveling Theatre Company • Puppet Workshop • Queens Symphony Orchestra • Rhode Island Philharmonic Orchestra • Richmond Symphony Orchestra • Ririe-Woodbury Dance Company • Rochester Philharmonic Orchestra • Rockford Symphony Orchestra • Sacramento Symphony Orchestra • St. Louis Symphony Orchestra • St. Nicholas Theatre Company • St. Paul Chamber of Orchestra • San Antonio Symphony/ Opera • San Diego Opera • San Diego Repertory Theatre • San Diego Symphony Orchestra • San Francisco Ballet • San Francisco Museum of Modern Art • San Francisco Opera • San Francisco Symphony Orchestra • San Jose Symphony Orchestra • Santa Barbara Museum of Art • Santa Barbara Symphony Orchestra • Santa Fe Opera Company • Seattle Opera • Seattle Repertory Theatre • Seattle Symphony Orchestra • Shreveport Opera • Shreveport Symphony Orchestra • Sioux City Symphony Orchestra • Smith College Museum of Art • Solomon R. Guggenheim Museum • South Coast Repertory • Spring Opera Theatre • Springfield Library and Museums Association • Springfield Symphony Orchestra, MA • Stage West • Stamford State Opera, Inc. • Stanford University Art Museum • Studio Arena Theatre • Stamford State Opera, Inc. • Syracuse Stage • Syracuse Symphony Orchestra • Tacoma Art Museum • Theatre by the Sea • Theatre X • Toldeo Museum of Art • Toledo Symphony Orchestra • Tri-Cities Opera Company • Trinity Square Repertory Theatre • Tulsa Opera • Twyla Tharp Dance Foundation • University of Illinois Museum and Art Galleries • University of Iowa Museum of Art • University of Michigan Museum of Art • Utah Symphony Orchestra • Vermont Symphony Orchestra • Virginia Museum of Fine Arts • Virginia Museum Theatre • Virginia Opera Association • Walker Art Center • Washington Ballet • Washington Opera • Whitney Museum of American Art • Winterthur Museum • Winston-Salem Symphony Orchestra • Wisdom Bridge Theatre • Wolf Trap Company • Yale Center for British Art • Yale Repertory Theatre • Yale University Art Gallery

ADDENDUM TO 1980-81 ALLIANCE MEMBERSHIP LIST:

Chattanooga Opera
Louis Falco Dance Company
Orchestra da Camera
Theater for the New City
Museum of Modern Art, N.Y.C.
Pittsburgh Ballet Theatre

TESTIMONY OF THE ASSOCIATION OF
INDEPENDENT VIDEO & FILMMAKERS
IN OPPOSITION TO THE PROPOSED CUTS
IN THE NEA/NEH BUDGETS, AND IN
SUPPORT OF STABLE PUBLIC FUNDING
FOR THE ARTS

The Association of Independent Video and Filmmakers, Inc. (AIVF) is a trade association of independent video and film producers. Traditionally, independent production has served as the creative alternative to commercial broadcasting and film programming in this country.

Congress, in enacting the Public Telecommunications Financing Act of 1978, expressly recognized "the important contribution independent producers can make in innovative and creative new programming." And, in the enabling legislation establishing the Endowments of Arts and Humanities, Congress declared that it is necessary and appropriate for the federal government to help create and sustain not only a climate encouraging freedom of thought, imagination and inquiry, but also the material conditions facilitating the release of this creative talent."

It is the position of AIVF that the Administration's proposed reductions in the budgets of the two Endowments represents a significant reversal in the intent of that legislation, and, therefore, must not be approved.

Historically, funding from the NEA and NEH has been essential to sustaining the voice of independent production in this country. The proposed cuts would effectively silence

that voice. Both as a consequence of a loss of direct funding, and of cutbacks affecting nonprofit media-service organizations, the activity of independent film and video will be greatly restricted.

As heavy as the toll of these drastic cuts will be to independent productions, ultimately, the highest price will be paid by the American public. Its loss will be the stimulation and challenge to mainstream programming which only creative independent productions provide. Such notable productions as "Nova," "The Odyssey" series, "The American Short Story" series, are all public television productions. Independent productions on the order of "Harlan County, USA," "I Remember Harlem," "To Be Young, Gifted, and Black," are examples of the outstanding work of independent producers who were supported by the Endowments. The legislation of the proposed cutbacks to the NEA and NEH could very well mean the extinction of this kind of work.

Aside from this detrimental impact on independent production, our position is that the recommended budget reductions are also economically unsound and will have a socially destructive impact upon our society. We concur with the well-documented findings that private and corporate support to the arts is greater now than it has ever been precisely because of the Endowments' roles in encouraging such support. The lessening of the Endowments' budgets in favor of private sector donations

is both unworkable and undesireable since retaining only corporate support for the arts would remove all accountability to the public. By contrast, the NEA and NEH presently select proposals through the use of peer panels, thus preserving a democratic process in their review.

If the rich cultural life of our society is to be faithfully reflected in the expression of our artists and scholars, it is imperative that the climate and "the material conditions facilitating the release of this creative talent" be protected. To date, there has been no evidence or indication that the "market place suppliers" can adequately provide this essential guarantee. Without it, the idea of a true American cultural democracy will never be realized.

* * *

TESTIMONY OF GERALD GEORGE

DIRECTOR OF
THE AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY

On behalf of the American Association for State and Local History, I offer this testimony with a sense of bewilderment.

At a time when our political leaders appeal more than ever to Americans' national pride, we also find ourselves asked to care less for what happens to the historic records and artifacts that document our national achievements.

At a time when our political leaders ask us with increased frequency to think of ourselves as a great people, we are also asked to reduce our attention to the historic sites and structures in which the great things happened or through which we come in direct touch with the past lives of Americans of accomplishment.

At a time when our political leaders rise with new zeal to defend our historic values from threats outside, reduced concern is shown for the protection of our historic resources within. The Administration sees need for more and better guns, but it consigns to the lowest priority any federal responsibility for those institutions and resources that help us think about what we are defending.

I refer to proposals for federal budget cuts in heritage programs that go far beyond the fight against inflation.

For Fiscal 1982, the Administration is asking a cut of 50 percent in the appropriations requested by the Carter Administration for the National Endowment for the Humanities and the National Endowment for the Arts. And within the former, the cut requested for the Museums and Historical Organizations Program exceeds 60 percent.

For Fiscal 1982, the Administration is asking a cut of 100 percent in the National Historical Publications and Records Commission, for which it shows no signs of seeking reauthorization when the present authorization expires next September.

For Fiscal 1982, the Administration is asking a cut of 100 percent in the Institute of Museum Services, and proposes that Congress rescind all IMS appropriations for grants even in the current fiscal year.

For Fiscal 1982, the Administration is asking a cut of 100 percent in the Department of the Interior's matching grants to states for historic preservation. In fact the Administration proposes in the current fiscal year to deny funds to states that have not already committed their appropriated federal allotments to meet preservation needs.

This is an unprecedented attack on the capacity of this country's museums, archives, libraries, preservation organizations, and historical agencies to save and protect for educational use the evidence that we have a past worth remembering.

This is a denial of the principle that the nation as a whole must join states, localities, and private citizens in accepting responsibility for the protection and use of historic resources.

This is a disavowal of the principle that publicly accountable philanthrophy -- grant-making with Congressional oversight and competitive evaluation through peer review -- is a desirable balance to private philanthropy, and that cultural health and vitality require both.

And this is an abandonment for the first time of bipartisan political support for programs that in the past have seemed significant to Republicans and Democrats in the White House as well as in the Congress.

Among other things, the proposed budget cuts will cost this:

The National Endowment for the Humanities will make no new challenge grants of the kind that have provided seed money to cultural organizations to mount fund-raising campaigns in the private sector with which to match the federal assistance three to one.

The Museum Program in the National Endowment for the Arts will have half as much for grants that in the past have been privately matched to support such things as travelling museum coordinators, who within their states bring technical assistance to struggling small museums, or books such as one our own organization published with partial help from NEA on how to make museums accessible to the handicapped.

The National Historical Publications and Records Commission will be forced, among other things, to leave to the state of Tennessee, or to the citizens of Nashville, Greeneville, and Columbia within it, the responsibility for making it financially possible to locate, edit, and publish the papers of United States Presidents Andrew Jackson, Andrew Johnson, and James K. Polk.

The Institute of Museum Services will have to deny small grants of less than $1,000 each to the scores of history museums that already have applied to the Institute's Museum Assessment Program, through which expert advice is made available on long-range planning, accreditation requirements, professional standards, and local financial development.

The Department of the Interior will have to cut off the system of state historic preservation offices, which have been given legal responsibilities by the federal government that they may now be denied the funds to carry out, and which have maintained at the state level rather than in Washington -- something the present Administration has seemed otherwise to favor -- the responsibility for judging the merit of applicants for federal matching grants for preserving historic properties.

The cuts strike not only at our acknowledged national treasure houses, such as the Massachusetts Historical Society, which, since the formation of the federal union, has preserved collections of papers of the founding fathers, from which comes much of what we know about them -- including much of what

was in the television series on the Adams Family that NEH grants helped make possible. The cuts strike also at the grass roots, where historical societies try to help their localities gain a sense of being real communities, while also trying to explain their uniqueness and interpret their part of the nation's experience to Americans outside.

Take for example two that I recently visited -- the Coastal Georgia Historical Society and the Birmingham, Alabama, Historical Society. With conscientious new presidents and well-trained professional directors, they both can claim significant achievements on slender budgets -- the salvation of a historic house and development of a museum for Coastal Georgia and the creation for Birmingham of a preservation-education program that won one of our AASLH awards.

Birmingham had grant help from three federal agencies -- but also from at least two state agencies, five private trusts and foundations, a local bank, and the city's Junior League as well as membership dues. Coastal Georgia has a challenge grant from NEH that the society is working to match with local dollars three-to-one, and had hope of a Museum Assessment Program grant from IMS to help with long-range planning and goal-setting for a stable future. In both cases federal money provided financial stimulus locally as well as significant assistance in itself. And in both, the mix of levels of assistance properly expressed a sense of shared responsibility for historic resources.

The states will not pick up the federal share of responsibility if the Congress approves huge cuts. On the contrary, the federal cuts will come on top of cuts that the states already are imposing on agencies that have history responsibilities.

Proposition 13 hurt many historical organizations in California. A year ago the governor of Texas cut seven museums with historical materials out of

that state's budget. Cuts in state appropriations ranging all the way up to 25 percent have recently been swallowed by such major state agencies as the Minnesota Historical Society, the State Historical Society of Wisconsin, the Indiana Historical Bureau, the State Historical Society of Iowa, and Michigan's Division of History.

As alternatives to public assistance, private foundations and corporations already are being hit with more requests than they can respond to, and small history organizations, which can't afford professional development offices, are at a particular disadvantage as competition increases for private funds. Moreover, among casualties of the state cuts is aid from state agencies for cooperative efforts with localities to save historical resources. The axe is falling on history everywhere.

The difference is that the states, facing tax revenue shortfalls, are generally applying their cuts across the board; history agencies are joining other state agencies in accepting an equitable share. The 7,400 institutional and individual members of the American Association for State and Local History would be willing to accept an equitable cut in federal cultural programs as well -- such as a cut proportionate with a cut in the federal budget as a whole to fight inflation.

But our members are dedicated people working in nonprofit, underfinanced institutions. They are devoted to keeping intact for America's future the priceless materials that document its past. We urge the Congress to recognize a public as well as a private responsibility, a federal as well as state and local responsibility, for the ongoing, unremitting effort to save, evaluate, and explain historic materials. We ask resistance to budget cuts that would eviscerate or destroy agencies that carry out the national share of responsibility. We ask a continued Congressional commitment to the work of caring for our national heritage, so that we can keep teachers and school kids, scholars and citizens, in touch with what's worthy in our past.

THE EIGHTEENTH & COLUMBIA ROAD BUSINESS ASSOCIATION,
Washington, D.C., March 26, 1981.

Re testimony to be included in printed Hearing on proposed cut in NEA Budget.

Hon. SIDNEY R. YATES,
Chairman, Interior Subcommittee on Appropriations,
Rayburn Building, Washington, D.C.

DEAR CHAIRMAN YATES: I am writing to point out that most of our inner city Adams Morgan business people strongly support the cuts in the budget of the National Endowment for the Arts proposed by President Reagan.

Frankly, I was astonished by the comment of one witness before you yesterday (March 25) whom the Washington Post quoted as saying in its issue of March 26: "I'm aware, as we all are, of the scores of citizens pouring in here, crying against cuts—the hungry, the poor. Are arts important in the face of all these basic needs? Yes. Man is a spiritual being." Man is, but are artists? Art is not something to hand the starving, or that people must place above an unfilled belly, a sick child, a cold family. The distinguished witness must have been misquoted, was she?

The arts spokesperson in this case is in essence arguing that even though the poor are cut back, and the hungry are cut back, that the arts should not be cut back. This fails to strike a responsive chord in me.

The arts spokesperson quoted by the Washington Post failed to note the large sums given the arts outside of the NEA budget by Uncle Sugar. You, yourself, reportedly got $1 million for Washington, D.C.'s National Symphony Orchestra—not one of the nation's top orchestras. Congress pays for the Kennedy Center, the Hirshhorn Museum, it pays for the maintenance of the National Gallery of Art (Mellon), it supports the National Collection of Fine Arts, and the National Portrait Gallery. Congress pays for the Public Broadcasting System, the Library of Congress; Congress pays the artists who design the increasingly expensive stamps, coins, the medals, the Statues of Jefferson, Lincoln, and other statesmen, in the Nation's Capital; it (Congress) pays for the International Cultural Exchange Program in the U.S. Department of State, and on and on and on, in the Nation's Capital. Rep. Yates: How much art do we need? Is it more important than healthy well-fed families in warm homes?

What Congress doesn't do is end the 50 percent unemployment in inner city areas of the nation's capital, and rebuild the burned-out business areas reduced to ashes in the 1968 riots in Washington, D.C. The arts spokespersons expressed no concern about the unemployed hungry, poor, and ill. And Congress expresses its concern—as have all presidents in the past 13 years—but does nothing. But Congress did provide the Pennsylvania Ave. project, and over $500 million in public funds for the wealthy Downtown business area.[1]

Please include this letter in your published Hearings.

Respectfully,

J. GEORGE ERAIN, *Secretary.*

[1]The $500 million in public funds was the sum claimed by The Board of Trade in a press release dated Dec. 20, 1978 as expended on 53 "Downtown Projects." All are in the wealthy Downtown Commerical area.

TESTIMONY

OF

SUSAN GALLAGHER FREEMAN, CHAIRWOMAN

NORTH DAKOTA COUNCIL ON THE ARTS

As the Chairwoman of the North Dakota Council on the Arts, I am honored to be here and happy to have this opportunity to tell you about the arts in North Dakota, and the role that the National Endowment for the Arts has played in their development.

As you are aware, North Dakota is one of the largest and most sparsely populated states in the country. Our land is rich in oil and coal and provides an abundance of food for the entire country. Because of the need to use our land for farming and ranching and mining, our population is widely scattered. Our largest city contains about 60,000 people.

There were arts activities in North Dakota prior to the inception of the National Endowment for the Arts and consequently the North Dakota Council on the Arts, but they were located in only a few cities in our state and took place almost entirely on college and university campuses. In 1967 the North Dakota Council on the Arts funded eight projects with the thirteen thousand dollars it received from the National Endowment. In 1980 our Council funded 105 groups from a National Endowment block grant of almost $300,000. The Council had to turn down another 100 groups because it did not have enough money to fund additional requests.

The growth of the arts in North Dakota is directly related to the growth of the National Endowment for the Arts. As the Basic State Grant has increased so have the numbers of arts activities in North Dakota. But more than the quantity of arts activities, the quality of arts activities has increased. It has been the National Endowment for the Arts' funds and influence which have encouraged many volunteer groups to hire a professional staff and attain an excellence in programming many thought was not possible. In the case of the North Dakota Council on the Arts, each of our staff positions was originally funded by the National Endowment for the Arts. All are now funded by the state of North Dakota.

Although the National Endowment for the Arts' grants to the state of North Dakota have increased steadily over the last 14 years, they have not increased as rapidly as private dollars have. When the North Dakota Council on the Arts first awarded $13,000 of National Endowment for the Arts money it was matched by the grantees, but it was probably matched with in-kind services. In 1980 North Dakota arts groups generated over 1.3 million hard dollars in private and foundation support to match $300,000 in federal funds. They generated an even greater amount of in-kind services.

There are many projects which were begun by North Dakota Council on the Arts which are now self supportive. Just this year two small community arts councils that were started with our Council's support wrote, thanked us for our past assistance, stated they would not need funds from our Council this year and added that without the assistance of grants and the encouragement they have received in the past none of their activities would have been possible. They continued that they hoped that start up money would continue to be available to other emerging groups across the state. I do too.

Unlike large urban states, a sparsely populated state such as North Dakota without major arts institutions relies on its arts council for delivery of arts services and hence is the major beneficiary of federal arts funds in the state. I can therefore speak with assurance as to the damage a 50% cut of the arts endowment budget would do to North Dakota. $100,000 would be lost to our agency and hence to the arts groups in the state that we support; and very severely almost $50,000 gone that goes to the artists in the schools program that reaches so deeply into our small communities. Let me say more about our programs and their impact.

Besides our grants to various arts groups in North Dakota we have three other projects administered from our Council; Artists-in-Education, Folk Arts, and Community Services.

Artists-in-Education is a very different program in North Dakota's small rural communities than it is in many large cities. Rhame, North Dakota is a town of 206 people. It had an Artists-in-Education program three years in a row; one in writing and two in visual arts. The North Dakota artists conducting these residencies lived with community people in their homes, shared their meals, and in the course of a week's time became a part of their host's family. These artists not only worked with school children but had a tremendous impact on the whole community. Artists-in-Education provides a means of support for North Dakota artists, the first and sometimes only arts experience for isolated rural children and a chance for an entire town to grow from the close contact with a "real artist." The 1980 program served 7000 school children in 41 school districts in the state. 1100 teachers also participated in the program. I am afraid that if the National Endowment for the Arts budget is cut by 50% Artists-in-Education will not continue to exist. It would be missed by many rural Americans.

North Dakota's Council is fortunate to have a folklorist on its staff. Nicholas Vrooman was graduated from New York State University's folk art program, with a masters degree. He was hired by our Council in 1980 to survey the state and catalogue North Dakota's folk art and artists. In the last year he has traveled over 30,000 miles and spoken to thousands on North Dakotans. There will be many projects to evolve from this initial research. The first is a show of objects collected by Mr. Vrooman which is featured in a six page pictorial in this month's "Clarion," the monthly publication of the Museum of American Folk Art in New York City. While North Dakota needs the expertise and talent available in

many larger and more sophisticated arts groups, we also have many folk artists whose works are treasured at home and serve as an example of the individual creative spirit and an inspiration to those same larger and more sophisticated arts groups and communities. Our folklorist was originally hired on a grant from the National Endowment and is now supported by the state of North Dakota. Without the Endowment's initial impetus we might never have discovered the many examples of folk art which are among the purest and finest in the nation. If the National Endowment budget is cut by 50%, it is not likely that money would be available for more projects such as this.

Our Community Services program is funded by priorities money from the National Endowment for the Arts and state money. Through this program the North Dakota Council on the Arts is able to provide technical and programming assistance to small communities, ranging in population from 500 to 2000, who serve isolated areas which have little or no arts programming. They have now developed their own arts councils, classes and workshops and have solidified their own funding base through community wide fund raising and other sources. They are prime examples of how National Endowment for the Arts money can be used to seed programs in rural areas.

Another important program generated by National Endowment for the Arts funds is our regional association, Affiliated State Arts Agencies of the Upper Midwest. The Affiliation provides low cost programs in the performing and visual arts through a block-booking system in a five state area. These programs provide professional quality arts to people who in many instances have never before seen a live theatre performance, heard a symphony, or seen an original work of art. In 1980 Affiliation programs reached 27 North Dakota communities and with continued funding will reach many more in 1981. A 50% cut of the arts endowment will essentially put this regional organization out of business.

In conclusion, the National Endowment for the Arts has been a vital part of the growth of the arts in the state of North Dakota. As the Endowment has grown so have the arts in North Dakota. National Endowment for the Arts' funds have generated many more dollars in private support, and without its steady, secure presence many new and developing groups would not have begun their programs. Beyond the dollars granted, the National Endowment for the Arts has offered to North Dakota a vision of what the arts can eventually become and the difference they can make to the quality of life of our citizens. We need the continued strong leadership of the National Endowment for the Arts in North Dakota. We need its continued inspiration and encouragement and we need the full impact of its financial aid. I sincerely hope you will fund to full extent the National Endowment for the Arts' budget request for fiscal 1982.

TESTIMONY SUBMITTED FOR THE RECORD TO THE SUBCOMMITTEE ON INTERIOR AND RELATED AGENCIES, March 26, 1981:

The individuals listed below, assembled as the evaluation panel for the Paul Chamber Music Residency Program, wish to add their opinion to the testimony of those who oppose the severe cuts in the budget of the National Endowment for the Arts.

For the past two days, we have reviewed applications from chamber music ensembles throughout the country that are attempting to establish community residencies with the assistance of strongly supported host institutions. We note with real gratification the progress chamber music ensembles have made in the past few years as they, for the first time, have been able to combine government funding with various private sources: chambers of commerce, business corporations, radio stations, medical centers, retirement communities, churches, and museums. In case after case we have observed the beneficial effect of state, regional, and federal funding, both on their artistic and administrative abilities and on the growth of the audience for high-quality music-making.

We are alarmed by the predictably dangerous effect of a retrenchment at this moment, when chamber music is just beginning to demonstrate its wide appeal to many millions of Americans in all walks of life.

James Backas, Panelist

Stephen Douglas Burton, Panelist

Vera Brodsky Lawrence, Panelist

CHAMBER MUSIC AMERICA

Grants for Chamber Music Residencies
From Ipswich to Honolulu Announced

Nine professional chamber music ensembles were awarded grants to support new residencies next season in the Paul Chamber Music Residency Program. These will bring to 19 the number of Paul ensemble residencies serving communities from Ipswich to Honolulu. The 1980-81 season will find ensembles playing to audiences in a wide variety of settings from a medical center in Durham, N.C., to a cathedral in Brooklyn, from a retirement community in Florida to the public schools in Hawaii. Grants for 1980-81 totalled over $133,000.

Paul Chamber Music Residencies are prototypes for innovative approaches to support of chamber music. By combining the administrative strength of community-based host institutions with the artistic excellence of the chamber music ensemble, each residency explores the potential for improving audience development, fund-raising and marketing. Host institutions include a shopping center, radio stations, universities, museums, art centers, a symphony orchestra, a music festival, and chambers of commerce. Each host has promised to equal or exceed the value of residency grants to the ensembles through matching funds and in-kind services. In the first phase of the program, nine residencies received $188,938 from their local communities to match total grants of nearly $130,000.

The residency program is administered by Chamber Music America, the national association of more than 500 professional chamber music ensembles, concert series, and training institutions. It is made possible by grants from the C. Michael Paul Foundation, the Edward John Noble Foundation, and the National Endowment for the Arts.

-more-

"We are especially pleased that this program is coming to the attention of other foundations, such as the Noble Foundation, and that they are joining us in recognizing the need for helping chamber music ensembles establish a secure financial base," said Robert W. Ashton, manager of the Paul Foundation.

The new ensembles and their host institutions are:

Calliope, A Renaissance Band: Christ Church United Methodist, New York City.

Ciompi Quartet: Cultural Services Program, Duke University Medical Center, Durham, N.C.

Contemporary Music Forum: National Bureau of Standards in Gaithersburg, Maryland.

L'Ensemble: WAMC-FM, a public radio station, in conjunction with concerts at restored historical sites.

Lyric Arts Summer Music Festival: Kings Point Condominium, retirement community, Delray Beach, Florida.

Metropolitan Brass Quartet: St. James Cathedral, Brooklyn, N.Y.

Musick for the Generall Peace:Castle Hill Foundation in conjunction with concerts at historic sites in Massachusetts, Ipswich, Mass.

North Country Chamber Players: Chambers of Commerce of Franconia-Sugar Hill-Easton, and Littleton-Lisbon; Littleton Courier; radio station WLTN; New Hampshire Commission on the Arts, Franconia, N.H.

Seoul Chamber Ensemble:Flushing Council on Culture and The Arts of the Downtown Flushing Development Corp; Korea News, Flushing, N.Y.

Continuing their Paul Chamber Music Residencies are:

Annapolis Brass Quintet: The Rouse Company: "The Village of Cross Keys," Baltimore, Md.

Atlanta Chamber Players: Colony Square, a multi-use midtown development; Special Audiences, Inc. a state-wide organization for the handicapped, institutionalized and disadvantaged; Agnes Scott College; public radio station WABE-FM; public television station WETV, Atlanta, Georgia.

-more-

76-703 0 - 81 - 20 (6b)

Catskill Woodwind Quintet: Catskill Conservatory, an independent educational-performance cooperative; Hartwick College, State University of New York, Oneonta; Colgate University; Catskill Symphony Orchestra, Oneonta, New York.

Concert Royal: Society for Chamber Music in Rochester; WXXI television and radio stations; George Eastman House International Museum of Photography; Rochester, N.Y.

Dakota String Quartet: South Dakota Symphony, Augustana College; Sioux Falls, S.D.

Ensemble for Early Music: Detroit Institute of Arts, Detroit, Mich.

Kronos Quartet: Mills College, Oakland, Calif.

Mirecourt Trio: Green Lake Festival of Music, Green Lake, Wis.

Spring Wind Quintet: Chaminade University, Hawaii Loa College; Kamehameha Schools, Hawaii Association of Music Societies, Honolulu, Hawaii.

Voices of Change: Meadows School of the Arts, Southern Methodist University; public radio station KERA-FM, Dallas, Texas.

Serving on the panel to select the third round of residencies were: Shirley Fleming, editor of Musical America and music critic for the New York Post; composer Stephen Douglas Burton; Abram Loft, former member of the Fine Arts Quartet and now a professor at the Eastman School of Music; and George Plasko, clarinetist and former member of the Sonos Chamber Ensemble.

##########

A Multi - discipline Arts and Cultural Organization

WOMEN & THEIR WORK

including Literary, Visual & Performing Arts

P.O. Box 4775, Austin, Texas, 78765
2330 Guadalupe, Austin, Texas, 78705
512-477-1064

In 1980, Women & Their Work, Inc, an artist organization in Austin, Texas, received $3,500 from the National Endowment for the Arts to hold a multi-disciplinary arts workshop and public performance. This event was supported by additional cash grants totaling $1,800 from the City of Austin and a private foundation.

Forty writers and visual artists from many ethnic, cultural and stylistic backgounds, and of all ages, held six workshop-meetings and did a week of intensive on-site preparation for the outdoor event. Donations of time by professional, semi-professional and emerging visual artists, writers, dancers and media artists amounted to more than 1,500 hours or $11,000. Support services and space at Laguna Gloria Art Museum, the site of the public performance, equaled $2,200.

An additional $11,00 was raised from private sources in order to print a commemorative issue of an inter-arts journal, Metis, which would record this project for posterity and preserve it in an accessible, inexpensive form. The event was also video-taped and aired three times on local public access television to an estimated audience of 15,000 people. Despite 100-degree weather, more than 500 people attended the two days of outdoor performance or visited the site.

NEA contributions represents 18.9% of the total cash outlay for this workshop and performance event. It represents 11% of the total cash and personnel expense. Twenty thousand Central Texas citizens had the opportunity to enjoy innovative, locally originated art activities at a cost of 17.5¢ per person.

The impact of this innovative event upon the community has been profound. Artists and writers learned new ways to work together and cooperate imaginatively and in practical ways. Older, more experienced artists and writers taught and learned from novice practitioners. The artists and the community were enriched by the new lexicon of artistic symbols developed and shared in the course of the project. The sponsoring museum was please with the enhancement of its programs. The museum's curator wrote to say "you. . .have suggested to me the possibility of future temporary art and theatrical installations on the Museum's grounds." Women artists and writers who had never been exposed to the Austin audience before were enabled to develop an audience for their works and many new complete works by individuals have been created based on ideas developed in the workshops.

Without the seed money from the National Endowment for the Arts this project might never have happened. Without this financial support and the credibility which comes with this support Central Texas might never have had this unique artistic experience. We wish that other groups, other cities, other artists, may also receive similar support in the years to come. The National Endowment for the Arts performs a vital service, and we urge that it receive full support in next year's budget.

STATEMENT FOR THE RECORD OF THE HOUSE APPROPRIATIONS SUB-COMMITTEE ON INTERIOR AND RELATED AGENCIES OF JAMES M. BANNER, JR., CHAIRMAN, AMERICAN ASSOCIATION FOR THE ADVANCEMENT OF THE HUMANITIES, ON THE REVISED FISCAL YEAR 1982 BUDGET REQUEST FOR THE NATIONAL ENDOWMENT FOR THE HUMANITIES, APRIL 7, 1981.

I am submitting this statement as chairman and chief executive officer of the American Association for the Advancement of the Humanities, an independent, non-profit membership organization that supports the work of humanists, fosters communication and cooperation among them, promotes the public understanding of the humanities, and seeks to increase the contribution of the humanities to American life. Its members come from many fields of inquiry, participate in many sorts of institutions, and pursue many kinds of endeavors associated with the humanities. They have in common a deep and enduring concern for the strength and vitality of the humanities in their many forms: inquiry, teaching, and the diverse programs and institutions that sustain research, instruction, and the preservation and transmission of knowledge in the United States.

The AAAH is not now, nor has it ever been, a recipient of funds from the National Endowment for the Humanities.

In view of others' testimony before the Committee about the value of the humanities and their contribution to American life and culture, the Association wishes in this statement to provide evidence only on matters relating to the anticipated effect on the humanities of the Administration's requested budget reduction for NEH -- matters that fall directly within this Committee's preview.

In the first place, although the proposed reduction in the program, treasury fund, and challenge grant budgets of the Endowment total $66 million, the loss of funds to the humanities will be much greater.

Monies available through the matching and challenge grant programs designed to attract to the humanities support from individuals, foundations, and corporations will be reduced in the aggregate by 55.2% -- meaning a reduction in private funds for the humanities directly attributable to the incentive of public monies from these two categories of at least $47.3 million in the next fiscal year. One must add to this figure the amounts lost through the matching requirements of the state programs.

Therefore, direct program support, matching and challenge grants, plus linked private support for the humantieis will decline in FY 1982 due to proposed changes in the NEH budget by at least $124 million -- or almost twice as much

as the budget cuts alone seem to indicate. This does not take into account additional losses due to reductions slated for many related programs, such as the Institute of Museum Services (targeted for elimination) and the National Historical Publications and Records Commission. It therefore seems reasonable to anticipate a decline in support for the humanities due to the proposed reduction in federal funding of roughly $150 million in fiscal year 1982 alone. A decline of this magnitude will not only seriously weaken humanities programs, humanities scholarship, and institutions that support the humanities; it will also have a negative economic impact on those communities in which the funds, when granted, are spent.

In the second place, the administration's assertion that the existence of the Endowment has dampened private support for the humanities is contrary to fact. Since 1976, NEH challenge and matching grants -- marked for deep cuts in the new budget -- alone have elicited over one-quarter of a billion dollars in private individual, foundation, and corporate support for the humanities.

Third, as corporate and foundation officers have repeatedly testified, they often depend upon the Endowment's peer review process and the leverage of matching and challenge grants in committing their own funds to the humanities; and they argue that the anticipation of greater private support because of NEH budget reductions is illusory. In a recent televised interview (CBS, "Sunday Morning," March 1, 1981), Robert O. Anderson, chairman of the Atlantic Richfield Corporation, stated that the budget cuts would cause "serious dislocation" in the arts and humantiies and concluded that the administration's confidence that the cuts would be made up by the business community was "questionable." Richard Lyman, president of the Rockefeller Foundation, in a March 16th address, stressed related errors in the administration's position. "All of the country's philanthropic foundations together spent about $2.3 billion last year. Neither they, nor the corporations, nor private individuals whose generosity was nearly ten times that of foundations and corporations combined, can do all things the government is threatening to stop doing. It is a cruel hoax to pretend otherwise."

In sum, the damage done to the humanities by the proposed reduction in the federal budget for the National Endowment for the Humanities and related agencies is likely to be far greater, pervasive, and permanent than people seem to realize. Nor are the administration's arguments about private support sustained by evidence. The Congress should therefore refuse to concur in the budget reductions proposed for NEH.

STATEMENT OF ANITA TAYLOR, PRESIDENT, SPEECH COMMUNICATION ASSOCIATION, ARTS AND COMMUNICATION, GEORGE MASON UNIVERSITY, FAIRFAX, VA.

The Speech Communication Association wishes to join its many colleagues among the national professional associations recording a protest against a 50 percent cut in funding for the National Endowment for the Arts. Those proposing these budget reductions argue that all aspects of the federal government should share equally in painful cuts required to combat inflation. This Association is a responsible body, one that understands the need for the arts to share equally in budget cuts, but a 50 percent cut for the NEA is neither equal nor likely to have any positive impact on the federal budget deficit or the fight against inflation.

The Speech Communication Association is strongly opposed to such a large cut in the NEA budget which would single out the arts (and their companion, the humanities) for much larger reductions than most other programs, in which even a 10 percent cut would have a much larger impact on reducing the federal deficit. Through the proposed cut is one-half the arts endowment budget, it is a miniscule fraction of the federal budget deficit. The magnitude of the change being recommended cannot be described as equal sharing when compared with any but those few programs being targeted for extinction. This cut flies in the face of broad support throughout the country for government support of the arts. The recent study conducted for the American Council on the Arts by Louis Harris reports that a large majority of Americans agree that government should support the arts, and 51 percent would be willing to pay an increase in their own taxes for such support.

It has been argued that private money will emerge to replace the federal dollars being removed from supporting the arts. Such an argument ignores the facts. The NEA's highly successful challenge grant program already involves outside dollars, requiring that three dollars in outside funds match each one dollar obtained from the government. It ignores the fact that in the 15 years before the NEA existed, corporate support for the arts increased by only 3 percent, while in the 15 years since its establishment, corporate support has increased over 1,000 percent (from 266 million to 2.7 billion). Figures such as these demonstrate that the role of the NEA has been a catalytic one. A very few federal dollars have precipitated many private and local dollars to support arts organizations, presenters and artists. Indeed, few tax dollars can show such a large return on investment.

Arts activities, for very few dollars invested, provide large economic returns. Data from economic impact studies in six different U.S. cities indicate that for every dollar spent by an arts organization on printing, postage, salaries and other expenses of arts production, five dollars in economic activity are generated in the community where the arts dollar is spent. In short, arts expenditures generate tax revenues. Hence, the proposed cuts, though negligible in impact in reducing the 1982 federal deficit, may actually reduce the revenue side of the budget because it will halve the federal dollars spent for arts and may in turn have much greater impact on the arts expenditures with all their related economic activity.

The 50 percent reduction for the NEA is short-sighted, counter-productive of its aim, and economically indefensible. The Speech Communication Association urges the committee not to accept the proposed budget reduction.

TESTIMONY BY WAYNE P. LAWSON, EXECUTIVE DIRECTOR, OHIO ARTS COUNCIL, COLUMBUS, OHIO

The current administration's proposed 50 percent cut to the National Endowment for the Arts is not only inequitable in light of other proposed cuts for federal agencies, but will have a disastrous effect on the growth of the arts on the state and local levels. As director of one of the nation's largest state agencies, I am concerned that the effective role that the National Endowment for the Arts has played as a catalyst in increasing support for the arts by state and local governments, private corporations and foundations, and individuals will be severely undermined.

We have seen that kind of catalytic effect in our own state of Ohio. While the NEA has provided a small increase in the amount of dollars to our agency over the past three bienniums, the State Legislature has increased our funding by 250 percent since 1976–1977. In 1976–1977, the Ohio Arts Council received $874,796 from the NEA and $1.2 million from the State Legislature. During the 1980–81 biennium, the Ohio Arts Council received $1,186,539 from the NEA and $10 million from the State. Federal monies have also provided our agency with seed monies to implement many new programs which have eventually been incorporated into our state budget

including community arts development and block grant programs, an individual artists grant program, a minority arts development program, and arts accessibility for the handicapped. A 50 percent cut to our agency in federal funds would stifle much of the innovative and experimental work that needs to be done to reach new audiences and to stimulate new growth across the state.

The Ohio Arts Council will also be greatly affected by cuts to arts organizations in this state which currently receive direct funding from the National Endowment for the Arts, totaling over $6 million. If these organizations experience major cutbacks in federal funding, they will seek out other sources to make up the gap and undoubtedly one of those sources will be the Ohio Arts Council. It is inconceivable that the Ohio Arts Council can begin to make up this difference even if it were to receive a substantial increase from the State Legislature based on the fact that competition for state dollars is very stiff at the present time. It is also unlikely that the private sector will be able to contribute the difference, at least in the immediate future, considering current economic conditions. This would mean a fatal step backwards for many arts organizations.

In closing, I would like to state that we understand the administration's efforts to bring the nation's budget into balance and to encourage a healthier economic climate for us all. However, I would urge this committee to realign the proposed cut for the National Endowment for the Arts to bring it more in line with cuts proposed for other federal agencies. It is only equitable to do so and will mean that the arts will suffer but one not be permanently damaged.

STATEMENT OF THE NATIONAL ASSEMBLY OF STATE ARTS AGENCIES,

WASHINGTON, D.C.

The proposed 50 percent cut of the National Endowment for the Arts (NEA) budget will have, as witnesses have testified repeatedly, major negative impacts on arts organizations, artists, and hence the nation's cultural life. One of the reasons the impacts will be so severe on these recipients of government arts support is that a major victim of the cutbacks will be the state partners in the national arts support network: the state arts agencies (SAAs).

The U.S. Congress in fiscal year 1981 appropriated $158.56 million to the federal arts agency, the NEA. The various states' legislatures appropriated to the 56 state and jurisdictional arts agencies $111 million in their fiscal year 1981. As this figure demonstrates, the days when the states were strictly the junior partners of the federal government in arts support have faded into the past. These agencies, with their professional staffs and over 750 lay leaders serving on their advisory boards (almost exclusively gubernatorially appointed) serve all the arts and all the citizenry in their states. Using state funds and federal monies ($22.2 million in State Programs Grants in fiscal year 1981) the agencies determine the best uses for these funds in their states' behalf. Any SAA will support through grants and services the arts as they are composed in their state. Where states have large institutions, the SAA will support them; where they don't, the SAA will help develop them.

Important also is creating access to the arts for those citizens in the states who, for whatever reason—geographical, economical or otherwise—have not had those cultural doors opened. And much of the states' activities, through both funding and technical assistance, are in helping individual artists and smaller arts organizations in creating the means to make their own way in the arts world.

As with NEA funding, state arts funding is a major catalyst for increased private giving. In fact, state dollars match NEA funding better than any other funding recipient. The $111 million raised in the states' legislatures matches close to 5-1 the $22.2 million in the State Programs Grants. This ratio of federal to non-federal dollars is well above the match NEA requires from the states and higher than the matching contributions required from other NEA grantees. As most of these funds are then directed to arts groups in each state, and many of them match the grants 2-1, ultimately the federal dollar that comes to the SAA is matched at least 7-1.

What then will be the impact on state arts agencies if its federal partner suffers a severe budget cut? By the NEA's budget allocations under an $88 million budget, State Programs Grants will be cut by 52.2 percent, a loss of $10.6 million to the states whose primary use for the funds, again, is in support of arts organizations. Additionally, the NEA proposes virtual elimination of the Artists in Education program that in 1979 employed 4,130 artists who worked with 1,780,000 students in all the states—all under the direction of SAAs. To many of the smaller and rural states this program is the main deliverer of arts experiences to their younger people. The artists in education program is also the largest single employer of the artists in the country today. Including the state and local match, this program had a payroll of over $12 million in fiscal year 1980.

Under the NEA allocations for the $88 million budget, the 8 regional organizations, consortia of states organized for mutual good, will have their federal funding cut by 93 percent. Most will simply go out of business. With them will go the network carefully developed over the past 10 years that supports much of the arts touring that occurs in this country. Without touring, many of Americans will not have the opportunity to share the country's national and regional treasures. Without touring, many Americans will be cut off from live performances of the best.

Above are some of the direct and dire consequences to the states of the proposed federal arts cutback. But there are other, and in some cases, more serious indirect effects.

State arts agencies foresee a "domino" effect with NEA cuts. Because arts groups supported by the states also receive federal funds for specific projects, those organizations will be forced to look to the states to make up the difference lost on the federal level. (Those organizations who are not NEA grantees will, of course, continue their pressure for funding). In the last three years, the increase in state legislative appropriations has been at an average annual rate of 17.1 percent. But while this rate has recently slowed at the state as well as the federal level, and as many states are under severe economic stress, it is very unlikely that the 1982 increase will be up to the previous rate. Even if it were, a 17.1 percent increase in state legislative appropriations (an additional $19 million) would fall far short of the $69 million gap in Program funds needed by the arts nationally in fiscal year 1982. The downward pressure on the SAAs, caused by severe federal arts cutbacks, will likely affect most the smaller developing organizations who traditionally have had less call on the government arts dollar, and, what is more, less access to the corporate and private dollar.

It should also be noted that some of the smaller rural states whose legislative appropriations lag behind the national average because of smaller tax bases are particularly endangered, forcing some agencies to close their doors to the tremendous public demand for cultural programs.

Equally serious is the possibility that some legislatures will look at a greatly diminished federal arts presence as license to, in turn, reduce or halt their improving state legislative appropriations for the arts. Although this will not be a universal reaction it is expected to occur in enough states to merit concern.

What is at stake, therefore, is 15 years of careful growth of government support of the arts, invovement that has always been kept in balance with the belief that the private sector should remain the predominant arts supporter. State Arts Agencies have become a major part of the government arts support network and if there are to be drastic federal cuts, will be asked to shoulder a burden that they can only partially take up. What has to be put down will be much of what we have come to enjoy and cherish in the last 15 years: national cultural development.

T E S T I M O N Y

of

Jack Ossofsky

Executive Director

The National Council on the Aging, Inc.

The National Council on the Aging (NCOA), a private non-profit organization working with and on behalf of America's elders to help improve their quality of life, is deeply concerned by the drastic reductions proposed by the Reagan Administration for the 1982 budgets of the National Endowment for the Arts and the National Endowment for the Humanities. Cuts of the magnitude requested by the administration seem to have punitive rather than economic motivations.

All people engaged in the creation and appreciation of the arts and the humanities will be severely affected by diminution of support for both Endowments. Older artists, humanities scholars, and the 23 million older Americans in general stand to suffer greatly. More than any other private or public source, the Endowments directly and indirectly have enabled countless older Americans to participate in and contribute to the nation's cultural life. Senior arts activities, educational programs in the humanities, and support for distinguished senior scholars and artists are only a few of the areas where support from the Endowments has made a critical and indispensable difference. These programs have met high standards of quality and are by no means intended as some form of social engineering--a charge sometimes leveled at the Endowments by detractors.

The report prepared by the Office of Management and Budget suggests that Federal support of the arts and humanities should be given low priority in the face of "the full range of federal programs that meet more basic human needs." Presumably these "more basic human needs" refer to food, shelter, health care and the like, compared to the less important needs related to individuals' spiritual and psychological well-being. The premise underlying this line of reasoning fallaciously and dangerously assumes that people's physical and mental needs are unrelated. NCOA wholeheartedly agrees that

many of our nation's elders require and deserve assistance with physical needs, but at the same time we vigorously assert that they, like citizens of all ages, benefit equally from the stimulation and creative outlets provided by the arts and the humanities. Indeed, evidence exists that engaging people's minds has substantial effect on their physical well-being.

Earlier this year NCOA convened a Public Policy Symposium on the Arts, the Humanities, and Older Americans. Some 80 artists and humanities scholars of all ages, as well as aging specialists concerned with developing cultural programs for older people, gathered to make recommendations for consideration at the 1981 White House Conference on Aging. The preamble to their recommendations eloquently calls for a national policy, and by implication national support, enabling older people to enjoy and enrich the cultural activities of the country. This preamble reads:

> The arts and humanities, repositories of our cultural heritage, offer perspectives, traditions and aesthetic achievements in which elders, like all others, can find opportunities for expression and for learning. The creation, understanding and transmission of art and knowledge make life more than a matter of physical survival--more, in Yeats' words, than a "long preparation for something that never happens." The arts and the humanities enrich lives; they can be pursued in solitude and in company; they are common to peoples of all ages, sexes, races and creeds.
>
> Therefore, the rights of older Americans to opportunities in the arts and humanities are co-equal with their rights to be well-fed, well-housed, and well-defended. Extending life without extending meaning to people's later years can be a cruel hoax. It must be national policy to recognize and support the rights of older people to discover fulfillment through the arts and humanities and to insure that they, no less than other age groups, be provided with opportunities for sharing, both as givers and receivers, the heritage they helped create and sustain in their younger years. Creation, expression, and learning must be seen as the functional equivalent of work.
>
> The United States has for too long ignored the cultural needs and perspectives of its older citizens. The consequence is impoverishment of the lives of older people, whose creative potential remains unfulfilled, and of younger persons, whose knowledge of themselves and of others requires the memory and experiences of their elders.

The proposed reductions in the Endowments' budgets are particularly insidious because they most severely threaten the Endowments' support of the public phase of the arts and the humanities. Yet, the authorizing legislation for the Endowments charges them to underwrite and stimulate programs which will encourage and develop the appreciation and enjoyment of the arts and humanities by the general public.

Older Americans have a rapidly growing thirst for participating in the arts and the humanities, and they derive considerable benefit from this involvement. According to a 1980 survey conducted by Louis Harris and Associates, Inc. and entitled Americans and the Arts, the proportion of people over 65 who attend live classical music, concerts, dance performances, and live stage productions and who visit art museums, galleries, and history museums (including historic buildings or sites) has doubled since 1975.

The Harris survey also reveals that a substantial majority of older Americans place high value on the opportunity to experience the arts either as artists or audiences. The arts provide 67% of the older public with "an uplift from everyday experiences," and 64% with "pure pleasure to experience and participate in." For 64% the arts represent "a positive experience in a troubled world." Furthermore, the arts allow 57% of the public 65 and over "a source of creative expression and experience that is rare."

Since 1973, NCOA has supported, with assistance from the National Endowment for the Arts, a National Center on Arts and the Aging. The Center is the only private national program exclusively addressing arts and aging issues with a major aim to expand quality arts programs by and with older Americans. Based on the Center's experience and the continual growth of requests to the Center for technical assistance, NCOA has witnessed an ever-increasing interest in the arts by older adults which confirms the Harris Survey findings.

Older Americans' appreciation of and contributions to the humanities match the situation in the arts. For five years NCOA has conducted, with support from the National Endowment for the Humanities, a national program in which groups of older people gather in senior centers and other similar facilities to discuss works from literature, history, and philosophy under the guidance of volunteer discussion leaders, many of whom are over 65. A recent, major independent evaluation of this program, which has involved 70,000 older adults in 48 states, has produced an unparalleled body of data about non-traditional education and public humanities programming for older people. Four-fifths of the participants report that involvement in this humanities discussion program has "deepened my understanding of my place in history and the meaning of my life" to a "great" or "average" degree (out of four possible choices). Approximately two-thirds of the respondents, whose ethnic and education background closely matches the national demographic profile of older Americans, gave the same ratings when asked if they were inspired to participate in other humanities-related activities and if the program stimulated interests and abilities they never realized they had or have not used in many years.

One individual participating in the humanities program at a Maryland senior center wrote a comment typical of many received in the survey: "Participation in the humanities program helped me realize, more than ever, that age is no deterrent to the things you like to do. It also made me see that as long as one lives there is always something new to learn and something you can share with others. Life should be lived to the full as long as one is able." Thousands of other older people share similar sentiments and have started to enrich the humanities in their communities by publishing memoirs, compiling family histories, volunteering to work in historical societies and schools, and engaging in many other similar activities.

The arts and humanities are vitally important to the lives of older Americans who in turn help enrich the cultural vitality of the nation. Simone de Beauvoir has written: "There is only one solution if old age is not to be an absurd parody of our former life and that is to go on to pursuing ends that give our existence a meaning--devotion to individuals, to groups, and to causes--social, political, intellectual, and creative work."

All citizens regardless of age need to discover a meaning to their existence. The arts and humanities expose people of all ages to their creative potential and lead them to discover new meaning in life. Consequently, the mission of the National Endowment for the Arts and the National Endowment for the Humanities is as essential to the well-being of the nation as any social services provided by the government. For the miniscule fiscal economy achieved, significant reductions in the Endowments' budgets will lead to a disproportionately greater impoverishment of the nation's human and institutional cultural resources.

TWYLA THARP **DANCE** FOUNDATION INC.
38 WALKER ST., N.Y., N.Y. 10013, (212) 966-2590

March 23, 1981

Honorable Sidney R. Yates
Chairman
House Interior Appropriation Subcommittee
2234 Rayburn Building
Washington, DC 20515

Dear Representative Yates:

As an American artist I must acknowledge the tremendous debt I owe to the National Endowment for the Arts, and urge the Congress to seriously reconsider the President's recent recommendation for severe budget cuts to that agency.

Since its inception in 1970, the Twyla Tharp Dance Foundation has grown to the point where today we employ 15 dancers along with an administrative and technical staff on a full time basis. Over 100,000 persons per year see us perform, both in this country and abroad.

Our growth and development would not have been possible without the Endowment. Our future, and the future of all American artists emerging and established will be placed in serious jeopardy if the proposed cuts are implemented.

Thank you.

Sincerely,

Twyla Tharp

BOARD OF DIRECTORS:
TWYLA THARP ARTHUR LEVITT, JR. ROBERT F. SHAPIRO ELIZABETH KUMMERFELD LEWIS LLOYD KERMIT LOVE PAUL SIMON SUZANNE WEIS

UNIVERSITY OF CINCINNATI
COLLEGE-CONSERVATORY OF MUSIC
CINCINNATI, OHIO 45221

DANCE DEPARTMENT

March 20, 1981

RECEIVED
MAY 22 1981
SIDNEY R. YATES, M.C.

Hon. Sidney R. Yates, Chairman
House Interior Appropriations Sub-Committee
2234 Rayburn
Washington, D.C. 20515

Dear Congressman Yates:

I am appalled at the slash in the budget for the National Endowment for the Arts and Humanities. There is such a thing as a budget cut, but I find this a random slashing of funds. The NEA has been a vital force in the funding and exposure to dance in America. I cannot see how you find it feasible to suddenly take away this support from young and talented people.

I am a board member of the National Association for Regional Ballet and am a retired professional, having worked with the companies of Lester Horton and Alvin Ailey. I know what it is for a company to be granted funds which at times they have to match. At present I am teaching on the dance faculty of the University of Cincinnati College-Conservatory of Music. I have often commented that I wished that this type of funding, i.e., grants, regional ballet, the NEA dance touring program, and NET's Dance in America television series had been available to me and my mentor when I was developing as a performer.

Needless to say, the state art councils will suffer, and the work that they are doing within their respective states may ultimately come to a halt. I think the budget cut under the present inflation should not be so severe that it affects such worthwhile programs.

President Reagan commented that corporations and foundations would up their contributions if need be. I find this highly unlikely and so do most of the people in the profession. I think this matter should be given deeper consideration, and we can only hope for the best.

I find it rather amusing that the President would hope that Buddy Ebsen's new show would be a success, and that he above all, knowing what the struggles are in the profession, should turn his back on their needs and finances.

Sincerely yours,

James Truitte

James Truitte
Associate Professor of Dance

JT/mm

RDT · THE REPERTORY DANCE THEATRE University of Utah · Salt Lake City, Utah 84112 · Telephone (801) 581-6702



March 19, 1981

Hon. Sidney R. Yates, Chairman
Interior Appropriations Subcommittee
2234 Rayburn
Washington, D.C. 20515

Dear Representative Yates:

As General Manager of The Repertory Dance Theatre, I am writing to you on behalf of our dancers, staff, Board of Directors, and our many community supporters, to voice our solid opposition to the devastating budget cut proposed for the National Endowment for the Arts. Our concern is not only for the future of our own organization, but for the future cultural life of the entire United States.

We get a relatively small percentage of our budget directly from the NEA, only 7.3%. Although the dollars themselves are certainly important, this small amount is critical to our ability to raise funds from the private sector. The private sector is more readily pursuaded to support us, with the knowledge that the NEA has reviewed us, both artistically and financially in order to receive the above mentioned grant. Without this leverage, fund-raising will be much harder in the years to come; it has been our experience that the loss of this revenue cannot be made up with larger donations from the private sector, and indeed will make any donations more difficult to obtain.

However, the most important function of the NEA is the building of national interest and participation in the arts, and the NEA has been most successful in this endeavor. This includes, but is not limited to, grant monies to organizations which sponsor performing arts. For example, the Utah Arts Council runs an outreach program which enables professional companies to tour in rural Utah. This program, partially funded through the NEA, encourages small communities to organize and raise the necessary matching funds. We have reached audiences which have never seen professional dancers, and who could not otherwise afford a company of our calibre. The response has been tremendous. In Panguich, Utah, the community was so impressed that they are raising the funds needed to buy lights and a good quality sound system for their theatre.

The future of touring, our major source of earned income, is uncertain at this time with rising transportation costs. However, without those NEA



monies, we could certainly not afford to reach those smaller communities who so need and appreciate our services. For example, this year we are participating in a consortium tour of Arizona, reaching communities like Yavapai, Show Low, and Joseph City, and Casa Grande. Next year, we are touring to five small communities in West Virginia.

Most importantly, the NEA has been instrumental in building an acceptable working environment for artists in the United States. By requiring that funded companies pay the prevailing union scale, most performing arts organizations pay their artists a living wage. In the case of our company, that living wage is only $6,000 to $8,000, which is just enough for the dancers to support themselves.

Since the NEA was founded, there has been a tremendous increase in the national dance audience, the number of dance sponsors, and respect for the dancer as a professional. This was achieved, not only through grants to dance companies, but through careful spending of the tax dollars in a variety of ways to strengthen the national market.

The citizens and government of the United States have traditionally supported its artists, realizing that art is not merely a luxury, but often the measure of civilization. I hope you will seriously consider the impact a cut in the NEA's budget would have on all taxpayers.

Sincerely yours,

Maria C. Schaeffer
General Manager

MCS: jp

san francisco bay area
dance coalition
building 312, fort mason
san francisco 94123 california 415/673-8172

RECEIVED
MAR 31 1981

March 20, 1981

Hon. Sidney R. Yates, Chairman
House Interior Appropriations Sub-Committee
2234 Rayburn
Washington, D.C. 20515

Dear Congressman Yates:

As a community-based membership organization representing thousands of dancers, technical and administrative personnel, and audience members in the greater San Francisco Bay Area, we strongly urge you to support funding for the National Endowment for the Arts at the current level and to resist the present Administration's proposed budget cuts.

Contrary to the belief in some quaters that the arts touch the lives of relatively few Americans - and thus are an unnecessary luxury for the economically advantaged - the arts are experiencing increasingly broad-based public support. A pol conducted by the firm of Louis Harris & Associates in 1980 found that 59% of Americans would be willing to pay an additional fifteen dollars in taxes if the money would go to the arts. In economic times like these, this is truly a remarkable statistic.

By contributing to the economic health of arts organizations across the nation, and through its support of widespread national touring by performing artists, the Arts Endowment has helped to expand the audiences for the arts very significantly over the past fifteen years. Dance audiences alone have increased dramatically from approximately one million in 1965 to over sixteen million today.

In the San Francisco Bay Area, dance has had a phenomenal growth in recent years. There are now over two hundred performing companies and teaching studios in this region alone. Literally hundreds of people are employed at performers, teachers, administrators and technicians. Audiences for arts events contribute millions of dollars to our local economy in the form of tickets and meals before and after concerts.

The City of San Francisco recognizes the important role that the arts play in stimulating the local economy and in creating an environment which is appealing to visitors and residents alike. Through a tax on hotel accomodations, the City raises funds each year - several millions of dollars of which are contributed directly to arts organizations.

Rather than putting a damper on increased broad-based support for the arts in this area, National Endowment funds given to local artists and arts organizations have helped to increase support from both the California Arts Council and the private sector. Local dance companies and individual artists invariably find that their chances of raising funds from the State arts agency, corporations, and individuals increase significantly if they are able to demonstrate support from the National Endowment for the Arts.

The performing arts are a heavily labor-intensive industry. Inflation has created tremendous pressures on dance companies to increase ticket prices. In many instances, it has been Arts Endowment support - and support raised through "matching" fund campaigns - that has made it possible for dance companies in this area to keep ticket prices at levels affordable to a broad spectrum of the public.

The Administration's proposed budget cuts would greatly reduce the ability of dance companies - and all performing arts organizations - to leverage new funds and would seriously threaten the ability of these organizations to reach a diverse audience.

Support for the Arts Endowment is a tradition that has spanned five presidencies. While the current level of funding for the Endowment is miniscule, it is terribly important because it reflects a fundamental belief that the arts are important in the lives of our citizens and that the federal government has a key leadership role to play in sustaining arts support.

In your concern to carry through restraints on the federal budget, we urge you not to throw the baby out with the bath water. On behalf of the arts community and the citizens of this region, we urge you to support both the principle of federal support for the arts and the current level of funding for the Arts Endowment.

Sincerely,

Sukey Lilienthal

Sukey Lilienthal
Executive Director

Lewitzky

March 20, 1981

The Honorable Sidney R. Yates, Chairman
House Interior Appropriations Sub-Committee
2234 Rayburn, Washington, D.C. 20515

Dear Congressman Yates:

I am writing on behalf of the Bella Lewitzky Dance Foundation to urge that the Congress stop the proposed disastrous cut in the National Endowment for the Arts budget. The action suggested by President Reagan clearly demonstrates a lack of knowledge about the arts, the National Endowment for the Arts (NEA) and a negligent lack of concern for the rights of the individual in our country to the quality of life.

The Bella Lewitzky Dance Company owes its existence and stable growth to the NEA. Since 1968, our company and others like ours have participated in the NEA touring program. This program encouraged sponsors in colleges, community theaters, and civic auditoriums across America to include dance for their audiences. The NEA funds encouraged these sponsors by offering a small percent of the direct artist's fee. The Sponsor then had to match in many cases well over 400% of the NEA incentive funding. This touring program has encouraged sponsors to book our company and thus has for the past years enabled us to maintain an earned income level of over 70% by touring 16-18 weeks a year, and performing for more than 60,000 persons annually in over 37 states. If the budget is cut this program will be all but eliminated.

In 1969 our company employed 12-13 persons at an annual salary of between $2,000 to $3,000. In 1980 our company employed over 22 persons year-round with an average annual wage range of $11,000 to $15,000. These figures are modest comparable to the corporate world, but above average in the dance world. The Lewitzky Company receives approximately 5% to 7% of its annual budget from the NEA, all of which must be matched by private funding. We have been able to use the NEA funds to encourage the private sector. For example, in 1968 our corporate funding base was nonexistent and in 1980 it was $64,000. This is nearly 12% of our annual budget and will support 14-16 weeks of rehearsals. This is time that might otherwise put artists and staff on the unemployment rolls.

Dance as all performing arts is labor intensive. It cannot just simply cut back and cut down. A single concert evening is possible as a result of weeks and months of rehearsal, choreography, and production, not to mention the 8-10 years of training by the artists who subsidize themselves prior to employment. A company cannot perform a dance choreographed for 10 persons with four or even eight persons. A company cannot rehearse less and maintain quality on stage. Dancers are highly skilled and trained athletes. Their body is their instrument. It is not possible to perform if that body is not maintained and in finely tuned condition.

Bella Lewitzky Dance Company 3594 Multiview Drive · Los Angeles, CA 90068 (213) 760-8008

Lewitzky

Our nation is recognized internationally for training some of the finest dancers and has produced and continues to produce the world's greatest choreographic talent. We stand to jeopordize this position. The President's cuts to the NEA, an already under-funded program are not justified.

The White House considers the arts to be "low priority". Since when is the quality of life of a nation's people low priority? It is the arts that give us a reason for existence and in fact that make existence possible in a rapidly changing world of over population, increasing inflation, diminishing energy, rising rates of violence, pollution, and growing mechanization...a world which seeks to conform mankind to a common denominator. It is only the arts which have permitted civilized man to tolerate that which is all about him. It is only the arts which have pointed the way to a future, and only the arts that have permitted and encouraged man to dare to live and even dream.

What a shameful and sad time when a country like ours says to its people, "There is no money here for culture". Culture marks the strength of a nation and the height of its civilization. The day we begin to stop support for the arts is not the beginning of wise leadership but the beginning of the end of a great nation.

I speak from our own personal point of view, but it is reflective of the dance world. We urge not only your support at this difficult time in our history...we ask your vision, your strength, and your compassion to fight for the arts!

Respectfully submitted,

Darlene Neel, Chief Financial Officier
Bella Lewitzky Dance Foundation

Bella Lewitzky Dance Company 3594 Multiview Drive · Los Angeles, CA 90068 (213) 760-8008

Association of Ohio Dance Companies

RECEIVED
MAY 22 1981
SIDNEY R. YATES, M.C.

March 20, 1981

Honorable Sidney R. Yates, Chairman
House Interior Appropriations Sub-Committee
2234 Rayburn
Washington, D. C. 20515

Jeanne Coen
President
Melissa Obenauf
Vice President
Charles Abookire, Jr.
Vice President
Jack Kamer
Recording Secretary
Joan Moos
Corresponding Secretary
Carole Kantor
Treasurer
Richard Rubinstein
Assistant Treasurer

Steven Ayers
Robert Brickell
Martha Dragelevich
James Edgy
Janet Light
Maggie Patton
Marilyn Lorenz
Michael London
Martha McDonell
Jon Rodriguez
Lana Kay Rosenberg
Flora Sargous
Katherine Strauss
Lorna Zilba

Phyllis Levine
Executive Director

Dear Representative Yates:

Speaking on behalf of the Association of Ohio Dance Companies, I believe that cuts in Federal funding are necessary at this time. However, a cut of the size proposed by the Reagan administration for the National Endowment for the Arts and Humanities will prove detrimental to the growing and vital cultural scene throughout the country.

The National Endowment for the Arts has provided seed money which has helped to develop some of the most prestigious American ballet and modern dance companies. It has provided the choreographer the opportunity to create American works of art. The Endowment has provided the financial aid needed to allow service organizations, video and film makers to work efficiently. The Endowment has worked with dance presenters throughout the country and has provided the expertise and assistance needed to the field in most every facet of development.

A total of over 800 arts organizations in Ohio employ over 10,000 people. Several of these groups receive money directly from the Endowment. Others receive state funds for operation. Over 900 individuals are employed by non-profit dance organizations in Ohio. In 1980, the combined attendance for Ohio Art events totaled 9 million. During the last two years the Arts in Ohio returned 11 million dollars in federal and state income and sales tax.

Ohio is rich in the Arts. We, the dance constituency of Ohio, ask for your consideration. Please do your utmost to set the reductions at a more equitable level.

Sincerely,

Phyllis Levine
Executive Director

The Association of Ohio Dance Companies
3570 Warrensville Center Road
Shaker Heights, Ohio 44122

With the support of the Ohio Arts Council

National Dance Association
1900 Association Drive, Reston, Virginia 22091
Tel.: (703) 476-3420

March 18, 1981

RECEIVED
MAY 2 3 1981
SIDNEY R. YATES, M.C.

Hon. Sidney R. Yates, Chairman
House Interior Appropriations Sub-Committee
2234 Rayburn
Washington, D.C. 20515

Dear Congressman Yates:

I have lived in Iowa for over 30 years and have dedicated a lifetime to teaching the art of dance. I must admit that I felt at times I was living in a cultural wasteland and only summer study in New York could nurture my creativity. In the last 15 years the atmosphere for artistic development has greatly improved in the heartland of America. I'm sure it is not a coincident that the National Endowment for the Arts was founded in 1965.

When we were able to bring a Martha Graham Dance Company to Iowa, the citizens realized we did not have a proper performing facility, so private donations built the beautiful C.Y.Stephens Auditorium in Ames, Iowa, in 1970. I question if this would have happened without the Endowment Touring Program.

This past year I have had the honor of serving the National Dance Association as its President. NDA is now one of the largest dance groups in the nation with over 3,000 members who unselfishly give time, money and talent to promote good Dance across the country. The Endowment's Artist-in-the-School Programs have often provided the needed incentive for our efforts. Citizen support for the Arts is growing, but I'm afraid Dance in the U.S.A. is still too young to survive without Federal commitment. Without Endowment help the grassroots dance community will be forced to leap before we have really learned to plie.

With the help of the Federal Government, Dance in a sense the mother of fine arts, has within the last few years begun to assume its rightful artistic role in America. Dance, in its various forms, not only qualifies as an art but a social force, a physical activity, and an educational factor, unique in its contribution to the quality of life.

I would like to thank the Congress of the United States for the imaginative, creative leadership and insight which established the National Endowment for the Arts and urge your continued support of this vital program.

Sincerely,

Betty Toman

Betty Toman, President
National Dance Association
2957 Northwestern
Ames, Iowa 50010

IOWA STATE
UNIVERSITY

Department of
Physical Education
Ames, Iowa 50011

March 18, 1981

Hon. Sidney R. Yates, Chairman
House Interior Appropriations Sub-Committee
2234 Rayburn
Washington, D. C. 20515

Dear Congressman Yates:

I am concerned, both as an individual and as a dance educator, about the proposed 50% budget cut for the National Endowment for the Arts.

We hear that funding for the arts is a "low priority" in President Regan's proposed budget. Compared to the financial support given to the arts in many countries, the arts have always been a "low priority" in the United States. To further reduce the funding that has allowed the American arts to grow so much in the last fifteen years would be like plowing under a half-grown crop.

So many positive results would be undermined by a severe budget cut. In Iowa, the NEA has made it possible for my students to see and work with professional dance companies. The NEA has made it possible to have professional dance companies based in Iowa, and Iowan's awareness and support of dance has grown as a result. If the endowment budget is cut as proposed, it will have devastating effects. I fear that some day soon my students' exposure to dance will be limited to seeing other students' first efforts at choreography and performance. This is certainly educational and, to a degree, broadening. However, an environment that provides exposure only to the work of one's peers and not to professionals in the field does not foster creative exploration or growth in an art form. It is this growth in the forms of technique, in process, and in presentation that separates art from the safer, more stagnant confines of entertainment.

Too often the arts are equated with entertainment; and, too often, that which has no tangible, objective result is regarded as superfluous to our needs. Certainly, the arts can be pleasurable, but they are also a nation's historian, a nation's conscience and a nation's soul. Surely, that which reflects and enhances the quality of our lives cannot be called superfluous to our needs.

Please give this issue your most serious consideration.

Sincerely,

Dana K. Schumacher

Dana Starkey Schumacher
Instructor of Dance

March 20, 1981

House Interior Appropriations Sub-Committee
2234 Rayburn
Washington, D.C. 20515

Hon. Sidney R. Yates, Chairman:

As General Manager of Danceworks, I urge you to veto President Reagan's proposed cut in the budget for the National Endowment for the Arts. The financial assistance that the NEA provides to the state of Massachusetts Council on the Arts and Humanities, forms a base of support for many local arts organizations in the state. Danceworks, Inc., a Boston-based modern dance company under the artistic direction of Susan Rose, first received funding in 1980.

I know that President Reagan has insisted that the burden of his budget cuts are shared equally by all. It is important to remember that relative to the entire U.S. budget, the amount of money for the NEA is quite small, though very important to the arts community. To cut these funds in half saves very little in the scope of the full budget. Yet, to cut these funds in half devastates many programs that enliven our communities and enrich the lives of all, artists and participants.

I urge you to vote for us, yes, as a special interest. For we, the arts community, are indeed a very special interest.

Sincerely,

Kat Fisher

Kat Fisher
General Manager, Danceworks, Inc.

THE FLINT INSTITUTE OF MUSIC

FREDERICK W. PERYER
Managing Director

JOHN THOMAS COVELLI
Music Director

PATRICIA G. WILLIAMSON
Director of Public &
Membership Relations

JUDITH BAKER VANDER WEG
Director of Education

GAYLA ZUKEVICH
Artistic Director, Dance

EXECUTIVE COMMITTEE

ROBERT L. HERSTEIN
Chairman of the Board

ROBERT J. BREEDEN
President

MRS. DELBERT M. MacGREGOR
First Vice President

ERNEST O. VAHALA
Second Vice President

WRISLEY B. OLESON, II
Secretary

GARY JORDAN
Treasurer

JUDITH M. COSTELLO
WILLIAM B. COTTINGHAM
Members at large

MRS. GARY L. FERGUSON
Women's Association
Flint Institute of Music

ANDREA Z. FLODEN
St. Cecilia Society

HONORARY LIFE MEMBERS
Mr. David T. Dort
Mrs. Charles Stewart Mott

Dort Music Center
1025 East Kearsley Street
Flint, Michigan 48503
(313) 238-9651

THE FLINT SYMPHONY ORCHESTRA

RECEIVED
MAY 22 1981
SIDNEY R. YATES, M.C.

March 23, 1981

Honorable Sidney R. Yates, Chairman
House Interior Appropriations Sub-Committee
2234 Rayburn
Washington, D.C. 20515

Dear Mr. Yates:

As a member of the National Association of Regional Ballet and a conglomerate of the musical performing arts, I, on behalf of the Flint Institute of Music, support the position of the NARB. As the Flint community is undoubtedly one of the most depressed areas in our most recent "inflation-recession" periods, the arts of this community are hurt more than ever. Not only do we not receive charitable contributions from individuals and families, whose money is needed to maintain the family but as well business support of our organization has dwindled as many businesses in our community show no profit and are laying off workers to lessen the deficit. In a climate such as this, the arts in the Flint community, need help. If the NEA follows suit and cuts our funding, the FIM will have to retract all those programs supported by the NEA which over the years have developed into excellent outreach programs. That would be a pity.

Thank you for your time and consideration.

Sincerely,

Trish Williamson

Trish Williamson
Director of Public &
Membership Relations

RFD #1 Box 247
Yorktown Heights
New York 10598

March 24, 1981

Honorable Sidney R. Yates, Chairman
House Interior Appropriations Sub Committee
2234 Rayburn
Washington, D.C. 20515

Dear Mr. Yates:

I am writing to express to you my opinion on the proposed 50% budget cut for the National Endowment for the Arts. As a 1977-78 dance grant recipient from the Vermont Council on the Arts, I had the opportunity to produce two concerts of original modern dance for a community that up until that time had very little contact with the performing arts. The grant enabled me to meet expenses as it supplimented admissions and donations. The dancers and technical crew joined me in donating their services on a volunteer basis. The community response to our work was overwhelming.

I am presently serving as business manager to a Montpelier, Vermont based dance company. The company has been able to plan for a June tour of Vermont communities based on a 1980-81 grant provided by the VCA. In both cases I have mentioned, the communities reached by our performances benefited greatly from the funds provided by the VCA.

Though the grant funds presently available are still modest enough to necessitate volunteer work from participating artists, they at least provide a much needed springboard - an incentive to bringing dance to rural areas.

I offer my support in favor of eliminating or at least substantially reducing the proposed N.E.A. budget cut of 50%. To do otherwise would be to save a relatively small sum at the expense of a very valuable cultural heritage.

Sincerely,

Eugenia Haney

Eugenia Haney

dancer/choreographer/teacher

Lila Zali Ballet Center
1863 SOUTH COAST HIGHWAY, LAGUNA BEACH, CALIF. 92651
714-494-7271

March 21, 1981

Hon. Sidney R. Yates, Chairman
House Interior Appropriations Sub-Committee
2234 Rayburn
Washington, D.C. 20515

Dear Hon. Sidney Yates:

I am writing to urge you not to support President Reagan's proposal to cut Federal subsidy of the arts.

It has taken a long time for America to be recognized as a leader in the arts. Dance alone has gone from an audience of one million to fifteen million since the birth of the National Endowment for the Arts and, no longer can New York claim to have 80% of the dance audience. This is due entirely to support from the National Endowment, the development of many fine regional ballet companies and to the very fine television programs - Dance in America series - all because of fine Federal support. Thanks to the efforts of the National Association for Regional Ballet, there are now five hundred and thirty-seven paid dancers in the regions where a short time ago there were none. Again, thanks to the NARB, we are developing many very good choreographers through the annual Craft of Choreography Conferences which have received such valuable support from the NEA.

Again, I urge you to continue support for the arts. We who love America want it to be a leader in everything.

Yours sincerely,

Lila Zali

Lila Zali



Michigan
Ballet
Theatre
31315 Thirteen Mile Road
Farmington Hills, Michigan 48018
(313) 851-6735

RECEIVED
MAR 24 1981
SIDNEY R. YATES, M.C.

March 23, 1981

Hon. Sidney R. Yates, Chairman
House Interior Appropriations Sub-Committee
2234 Rayburn
Washington, D.C. 20515

Dear Sir:

As a citizen, I deplore President Reagan's proposed cut in the budget for the arts.

Dance, music, theatre and all the other arts are as essential to man as food and drink. It is what brought us out of the caves to this point in our development.

I am particularly interested in dance, because I work in the field, and I can assure you that many jobs are created through dance other than for the dancer alone.

In the last 25 years the arts have come a long way in America and have caught up with - and even surpassed - their development in Europe and other foreign nations which have had hundreds of years of growth.

The proposed budget cuts would set us back more than 50 years!

I therefore urge you to oppose these cuts, so that Art in America will not become a thing "only for the rich", but be a part of the heritage of all of our citizens.

Sincerely,

Evelyn Kreason

Evelyn Kreason
Artistic Director

EK:mjm

CATHERINE ROYCE / CLEARING

22 March 1981

Hon. Sidney R. Yates, Chairman
House Interior Appropriations
Sub-Committee
2234 Rayburn Building
Washington, DC 20515

Dear Congressman Yates:

I am writing to protest President Reagan's intention to cut the National Endowment for the Arts appropriation by 50%. While the need for budget cuts in all areas of government is understandable, the size of the recommended Arts Endowment cut is out of proportion. The impact of such a cut becomes not practical but punitive.

Making dances and raising money require two different kinds of genius. Raising money from the private sector oftentimes has more to do with fiscal than artistic genius. Thus, some of the greatest choreographers are not always successful in obtaining funding from the private sector -- or do so at the expense of artistic advancement.

The Arts Endowment has lessened this strain both by providing funding largely based on artistic excellence back by sound fiscal management and by providing the kind of seed funding that primes the pump for raising private money. The loss of Endowment support would not be easily replaced by private sources, because many private sources see Endowment support as a seal of approval and withold support until a company has obtained that seal. While for most companies Arts Endowment support is but a small portion of an overall budget, that small portion is significant. Without initial Arts Endowment support, other support will not necessarily be forthcoming.

Through the years I have worked on many Arts Endowment-supported projects. In every case, Endowment funding, not just that which came directly to my project but also to general support in the field, has been significant, as much in dollar amounts as in terms of prestige. For example, Endowment support for a Long-Term Dance Residency is important not only for the funding given directly to that residency, but also for the concurrent audience development work done by the "Dance in America" series and Artists in Schools program and the local follow-up made

1 larchmont street, dorchester, ma. 02124
(617)288-7513

possible by grants to area choreographers and dance companies. It is the interlocking nature of Endowment funding that expands its significance beyond the initial grant amount.

On a more personal level, I perform with a small dance company called Clearing. As the nature of our work is unusual (we are not a ballet or traditional modern dance company) and private funding sources in this geographic area are traditionally very conservative, our opportunity for growth depends on two factors: earned income and access to less traditional funding which in the past has been provided by the Arts Endowment. It is the nature of dance that our audiences are small and thus earned income will never suffice to support an established dance company much less an immerging one. If we cannot turn to the Arts Endowment to support us with the seed money which will allow us to grow, our chances of artistic (to say nothing of financial) survival are small, indeed.

And yet, who is to say that our work may not prove vital to the development of the arts in general and dance specifically as we move into the 21st century? We cannot know this in advance. We can only strive for artistic excellence, organize ourselves with responsible management, and rely on those who truly believe that our future as a nation depends on our freedom of artistic expression and the common ties which that expression engenders in us. The Arts Endowment provides such support and without it, we as artists will be unable to pursue excellence. I certainly feel that if we as artists lose even a little now, the country stands to lose a great deal more now and in the future.

Sincerely,

Catherine Royce

5216 Middlesex
Dearborn, MI 48126

March 23, 1981

Hon. Sidney R. Yates, Chairman
House Interior Appropriations Sub-Committee
2234 Rayburn
Washington, D.C. 20515

Dear Chairman Yates,

As a part-time dancer, as a member of the board of one of our local dance theaters, as a lover of all the arts, and as a voting citizen, I am very concerned with what is going to happen to the "arts."

The arts, especially dance, cannot function to their fullest extent without much needed federal funding. We need this support to generate the greatest velocity of our art.

Please take a stand to continue financial support to the arts. Without them, you take away the very culteral heart of America. How can we "dance united" in our country without sufficient funding? If it is "United We Dance", or stand, then it must be that "United We Will Fall". Can America do without its culture?

We the people need your voice to take a stand for us. Thank you for the consideration of my plea.

Sincerely yours,

Sue McQueen

Sue McQueen

smm

Philadelphia Dance Alliance
260 South Broad St — 20th Flr
Philadelphia, Pa. 19102
(215) 546-7240

March 23,1981

Hon. Sidney R. Yates, Chairman
House Interior Appropriations Sub-Committee
2234 Rayburn
Washington, D.C. 20515

Dear Chairman Yates,

The Philadelphia Dance Alliance is a arts service organization that has been in existance in the Delaware Valley Area for the last ten years. Over this period of time we have seen interest in Dance flourish ten fold: Performing Companies, Educational Programs, Individual Performers and Audience Participation. This Arts explosion has been beneficial to all members of our community by the further identification of our common needs.

We are very concerned that the Arts remain a national priority. The wealth of creativity and innovation brought to life by artistic visions are a constant reminder to all Americans that the United States is in the forefront of intellectual development.

We hope that you will consider the impact the Arts can have on health and growth of future generations when you examine the NEA appropriations.

Sincerely,

Helen M. Churko

Helen M. Churko
Program Associate

Stella Moore
Chairman of the Board
Susan B. Glazer
President
Bernice Rosen
Vice President
Les Ditson
Secretary
Mrs. Paul J. Poinsard
Treasurer

Lois H. Fischer
Executive Director

Honorary Board Members
Merce Cunningham
Doris Hering
Robert Joffrey
Bella Lewitsky
Walter Terry
Edward Villella

Board of Directors
Robert Altman
George A. Beach
Patricia W. Boyer
Mrs. Ralph A. Carabasi, Jr.
Dana Cooke
Alicia Craig
A. Bruce Crawley
Les Ditson
James East
Mrs. Herbert A. Fogel
Brian Ford
James B. Freydberg
Susan B. Glazer
Roger G. Hall
Phyllis C. Kaufman, Esq.
Robert M. Kirkpatrick, III
Dolores La Greca
Delmar Macaulay
Jim McClelland
Mrs. Cynthia W. Mobraaten
Mrs. Matthew T. Moore
Jeri Packman
Edward A. Pereles
Mrs. Paul J. Poinsard
Mrs. Owen Regan
Bernice Rosen
Michael J. Rotko, Esq.
Mrs. Adrian Siegel
James A. Weiss, Esq.

MAILGRAM SERVICE CENTER
MIDDLETOWN, VA. 22645

western union Mailgram

4-0098775082 03/23/81 ICS IPMMTZZ CSP NYBB
6175365822 MGM TDMT BOSTON MA 100 03-23 1028A EST

ANNE KEARNS, HARRY'S FOUNDATION
67 FIFTH AVE, 6TH FL
NEW YORK NY 10003

TO: THE HONORABLE SIDNEY R YATES, CHAIRMAN
HOUSE INTERIOR APPROPRIATIONS
SUBCOMMITTEE

THE MASSACHUSETTS CONTEMPORARY DANCE ASSOCIATION IS NEW ENGLAND'S ONLY GENERAL DANCE SERVICE ORGANIZATION, A 50 PERCENT CUT IN NEA FUNDING WOULD BE DISASTROUS TO US. THE PROJECTS AND SERVICES WE PROVIDE ARE ESSENTIAL TO THE HEALTH AND FUTURE OF DANCE IN THIS REGION. WE RELY ON THE NEA TO SUPPORT US IN OUR GRASSROOTS EFFORTS. PLEASE DO NOT ALLOW THE FUTURE OF DANCE IN THIS REGION TO BE DEALT SUCH A BLOW.

SINCERELY,

BEVERLY GAUDET, PRESIDENT
BOX 1699
BOSTON MA 02105

10:27 EST

MGMCOMP

---

23 March 1981.

Dear Mr. Yates:

The need for the arts in this country is greater than ever. We are just beginning yo understand and realize their value. They can only survive through cooperative funding by private, corporal and federal.

Sincerely,

Barbara Stuart
536 Poplar Street
Laguna Beach, CA 92651

5241 (R1/78)

TO REPLY BY MAILGRAM, SEE REVERSE SIDE FOR WESTERN UNION'S TOLL - FREE PHONE NUMBERS

Dance Council of Central Pennsylvania
Post Office Box 6101, Lancaster, Pennsylvania 17603

Hon. Sidney R. Yates, Chairman
House Interior Appropriations Sub-Committee
2234 Rayburn
Washington, D.C. 20515

March 20, 1981

Dear Sir:

The Dance Council of Central Pennsylvania, incorporated on April 1, 1978, has a major commitment to the strong effect of the Arts on the quality of life in this country. If we need a defense buildup, what are we defending if not this quality of life? We urge you to work to defeat Pres. Reagan's proposed 50% budget cut from the Arts and Humanities Endowments. The non-profit world is not only being hit by possible major cuts in primary federal programs, but support is folding on all sides with the elimination of CETA, cuts in postal subsidies for third class non-profit mail, and new tax laws affecting contributions.

Dance Companies must pay rent and utilities just like everyone else. Inflation baloons costume, lighting costs, etc. The Endowment matching grants program legitimizes the art form in the eyes of many corporate sponsors, who are thereby encouraged to contribute to concerts, workshops, experimental programs, etc. Endowment seed money provides important leverage in fund raising for the arts. An understanding of dance as an art form has been greatly enhanced by the Dance-in-America public TV series. This series would not have been possible without NEA partial funding.

In central Pennsylvania there have been two enriching Artist-in-the-Schools programs in the past three years. The Mary Anthony Dance Theater has had two week residencies in both Elizabethtown, PA, and Lebanon, PA, with far-reaching results. The years 1977,78,79 saw three weeklong residencies of the Pennsylvania Ballet Co. at the Fulton Opera House in Lancaster, PA. This year we had the Ohio Ballet Co. The Paul Taylor and Lar Lubovitch modern dance companies have both been at the Fulton with Endowment help. For over half the audiences and participants this aesthetic experience would not have been possible before 1965.

We urge the defeat of Reagan's proposed budget cuts.

Sincerely,

Barbara N. Barden, Pres. DCCP



2301 East Oak Street
Louisville, Kentucky 40203
502 637-3511

March 20, 1981

The Honorable Sidney R. Yates
Chairman
House Interior Appropriations Sub-Committee
2234 Rayburn
Washington, D.C. 20515

Dear Mr. Yates,

I hope you will look with a skeptical eye at the Administration's proposal to cut the National Endowments' budgets, because I believe that if you examine the question thoroughly you will conclude that these cuts are very shortsighted.

Others in the Arts community will certainly point out to you and your collegues what a valuable, if frail, national resource the Arts are, and I agree wholeheartedly with that appraisal. But I would ask you to consider for a moment the surprisingly large economic impact that the Arts have. The Arts are big business, although you seldom think of it in that way, and my hope for this Administration is that it will be a friend of business and, in that light, a friend of the Arts.

Budget cuts for the National Endowment will translate directly into lost jobs, which I believe to be counter to the Administration's goals. Worse than that, the people who will be put out of work cannot be expected to transfer readily into other job markets. They are Artists, and will not be able to find new jobs at munitions factories.

I believe that we need to keep these people employed, and I believe that what they do contributes a great deal to the quality of American life that we all want to uphold. I hope you will agree with me and will work to reduce these budget cuts. Thank you.

Sincerely,

Bob Manning

Bob Manning
General Manager

BM/meo

16249 Brewster Road,
East Cleveland,
Ohio 44112.

Hon. Sidney R. Yates,
Chairman,
House Interior Appropriations
Sub-Committee,
2234 Rayburn,
Washington, D.C. 20515.

Dear Sir,

The President is incorrect in his assumption that private funding can compensate for the cut in the budget of the National Endowment for the Arts.

There is no new untapped reource of private funding (Mrs. John D. Rockefeller 3) and businesses would have to contribute 3 billion dollars by June 83 to maintain their present level of support and also compensate for the decrease in Federal funding. (E.M. Block, A.T.&T)

Arts organizations are labour intensive and much of the money saved would be eaten up by unemployment benefits. Arts organizations also generate a considerable amount of money in a community - tickets, parking, restaurants, gas, etc.) and much of this would be lost.

No other Federal agency has had its budget cut by 50%. This is unfair.

Yours truly,

Valerie Mould

March 17, 1981

The Honorable Sidney R. Yates
Chairman, Interior Appropriations
Sub-Committee
2234 Rayburn Office Building
Washington, D.C. 20515

Dear Sir:

This is a letter is support of the National Endowment for the Arts. Government support of the arts help the arts secure a financial base which, in turn, allows them to raise additional funds. Government support sends a message to the public that government places a value on cultural activities. A mix of public and private funding is necessary for the arts to survive. No one source should be expected to shoulder a large portion of arts support. It is important that a broad mix of funding sources exist to prevent any single one from dominating or controlling the development of the arts. Government grants, because they are tax dollars, motivate arts groups to make their programs available to neglected, underserved audiences, including economically disadvantaged, handicapped, elderly and hospitalized persons, school children and blue collar workers.

As inflation soars, so do production costs. In order to keep ticket prices reasonable and affordable to the greatest numbers of individuals, they never cover all costs. The typical gap between a nonprofit art group's income and earnings is a direct result of its efforts to present programs at affordable prices. Artists, themselves, already are subsidizing the arts through miserably low salaries, neglibible benefits and long periods of unemployment. Increased fuel costs have hit the arts harder than most industries. Dancers rick severe injury if forced to perform in a cold hall after hours of warming up their bodies.

As a performing arts patron I realize that the arts constantly refresh our spirits, deepen our understanding of our society and renew our individual sense of worth.

I do hope the funding for the National Endowment for the Arts will not be cut.

Thank you for your attention,

Lee Werbel
5475 Canyon Crest Drive
Riverside, CA 92507

3/20/81

PAULINE KONER DANCE CONSORT

Honorable Sidney R. Yates Chairman
House Interior Appropriations Sub Comm.
2234 Rayburn
Washington D.C. 20515

March 18, 1981

Dear Senator Yates,

To cut Federal funding for The National Endowment for the Arts could be a political, as well as a cultural hazard for this country. Artists have sometimes been your best ambassadors, able to make contact on an artistic level with people who were politically antagonistic.

In 1957, while on a Cultural Presentations Tour for the United States State Department in Yugoslavia, the Mayor of Ljubljana (who had refused contact with our political representatives) attended the performances of the José Limon Dance Company, with which I was guest artist. The Mayor also came to a reception where I had the opportunity of talking with him and convincing him to see our second program. To the astonishment of all the United States political staff, he came and I was told I had achieved a contact which they had not been able to accomplish!

To claim that Federal funding has resulted in reduced private support is utter nonsense. The fact that I received several choreography grants from the National Endowment for the Arts, and was able to create my present company, made it possible to go to private sources. First, non-exsistence hardly attracts money. Secondly, a government grant in some way acknowledges the prestige and standards of the artist. Thirdly, there is the possibility of matching grants.

Dance Consort Foundation, Inc., 444 East 84th Street, New York, N.Y. 10028, (212) 249-4847

My company, THE PAULINE KONER DANCE CONSORT, is considered by the press to be one of the top-level small modern dance companies; and tho I am considered a leading American choreographer, I face the prospect of having to disband my company if funds are not available. Young professional dancers without earning capacities in other fields may swell the welfare roles. Is that a saving?

Finally, at a time when the United States has achieved worldwide respect as a cultural center, must we retrogress to our earlier reputation of a country which has no respect for art or its artists? What a great headline for "Pravda"!

The Dance is one of the most indigenous American art forms and we are considered leaders in the world. Yet much of it can be wiped out by a cut that amounts to less than .002% of the total budget cut, but is the highest in the percentage cut.

In some countries, Artists are considered National Treasures. They are irreplaceable. What about in the United States?

Sincerely,

Pauline Koner, Director
Pauline Koner Dance Consort

#

PK/mi

PICO NEOGHBOURHOOD ASSN HH
1804 14 AVE
SANTA MONICA CA 90404

western union Mailgram

4-0394155078 03/19/81 ICS IPMRNCZ CSP NYBB
2134500401 MGM TDRN SANTA MONICA CA 80 03-19 0319P EST

ANN KEARNS
87 5 AVE
NEW YORK NY 10003

PLEASE SUBMIT LETTERS TO SUBCOMMITTEE
HONOURABLE STONEY YATES
2234 RAYBURN BLDG

DEAR SIR

THE COMMUNITY ARTS PLANNING GROUP OF THE PICO NEIGHBOURHOOD ASSOCIATION IN SANTA MONICA CALIFORNIA RESPECTFULLY REQUESTS THAT ANY PROPOSED BUDGET REDUCTIONS OR CUTS DIRECTED TOWARDS THE NATIONAL ENDOWMENT FOR THE ARTS BE REJECTED. PLEASE RECOMMEND TO YOUR COMMITTEE THAT ANY CUTS TO N.E.A. BE REJECTED.

SINCERELY,

GWEN GEORGE, GOVERNMENT RELATIONS REP
COMMUNITY ARTS PLANNING GROUP
PICO NEIGHBOURHOOD ASSOCIATION

15:19 EST

MGMCOMP

5241 (81/78)

TO REPLY BY MAILGRAM, SEE REVERSE SIDE FOR WESTERN UNION'S TOLL - FREE PHONE NUMBERS

MORCA

Isabel & Teodoro Morca
Directors
Mary Rouzer
Administrative Services

FLAMENCO IN CONCERT

DANCE THEATRE

March 13th, 1981

Honorable Sidney R. Yates
Chairman, Interior Appropriations Sub-Committee
2234 Rayburn
Washington, D.C. 20515

Dear Chairman Yates:

Thanks to the formation of the National Endowment for the Arts over the last fifteen or so years, America has enjoyed a very positive growth in all forms of culture, art and the appreciation of the necessity of this creative process in our daily lives. The NEA has literally opened doors for the inspiration of the private sector to support the arts and without the NEA, we would still be doing a few one night stands here and there.

It is a known fact that for every dollar that the NEA spends on the arts, many more are generated and this is very true in our case as a professional dance company. We could not be in existence the way we are without the NEA, for it is this seed money that opens the pockets of the sponsors who then spend untold millions for the arts that go right back into the economy.

The NEA basically speaking has become the very catalyst that has created multi-billion dollar business in the economy of America. It is as simple as that. Cut down on the NEA and untold millions of dollars will stop flowing into our own economy. The arts are one necessity that only breeds good and that means economically as well as creatively and of value to our society.

In the last fifteen years, thanks in a great part to the NEA, we have been put on the map as a company, a business that supports people and without the NEA, we and hundreds of other artists could not be in existence.

There must be a balance of priorities in a healthy government and it is not too much to ask to spend the cost of one-fifth the cost of one nuclear submarine on a facet of life that breeds money, that breeds beauty, that breeds work and above all, breeds that necessity in life that is the basic creative purpose of all mankind.

Thank you. Please support this very important part of our lives.

Sincerely,

Teodoro Morca

MORCA ACADEMY 1349 Franklin Bellingham, Washington 98225 (206) 676-1864

Institute for Dance and Experimental Art

CLAUDIA CHAPLINE
IDEA COMPANY
1790 OLD RANCE ROAD
LOS ANGELES, CALIFORNIA 90049
PHONE 213/459-4198

March 17, 1981

The Honorable Sidney R. Yates
Chairman, Interior Appropriations
Sub-Committee
2234 Rayburn Office Building
Washington, D. C. 20515

Dear Honorable Sidney Yates:

We want to go on record as an organization that supports the National Endowment for the Arts, and rejects the proposed cuts. Without the funding that many companies, such as ours have received over the years, we couldn't have provided the community services that we have offered.

The I.D.E.A. Company has given free performances so that we could attract diverse economic groups. We have given productions for the handicapped, senior citizens, schools and churches. In these days of extensive automation, people are further and further removed from original sources. One primary value of live performance is the encouragement to individual creativity. People who are busy being involved in creative endeavors are positive, sharing, and not inclined toward depressive lonliness, drugs and crime because they are finding self-fulfillment. It is also important to provide education in the appreciation of performing arts. The I.D.E.A. Company hopes to share their enthusiasm for dance as a metaphor for wholesome living by making a high quality performance accessible to all ages and income levels of the community.

We feel that we are providing a necessary service to the community as well as offering employment to some artist. Without N.E.A. funds, many very talented people will be out of work.

Please support the full continuation of National Endowment for the Arts funding.

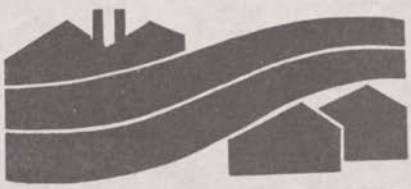
Sincerely yours,

Gwyn Gorg

Gwyn Gorg
Company Manager

BOARD OF DIRECTORS

Claudia Chapline, President
Rhoda A. Joelson, Vice President
Sharon Shore, Secretary-Treasurer
Rachel Rosenthal
George Drury Smith



PICO NEIGHBORHOOD ASSOCIATION
1804 14th St. #9 Santa Monica 90404 (213) 450-0401

Hon. Sidney Yates
Chairman, Interiors Appropriations
Sub-Committee
2234 Rayburn Bldg.
Washington D.C. 20515

Mar.15-81

Dear Sir;
As members of the Community Arts Planning Group of the Pico Neighborhood Association in Santa Monica Ca. respectfully request that any proposed budget reductions or cuts be rejected.

As artists working to expand the development of creative solutions to perplex and far-reaching urban problems besetting our primarily low-moderate income, significantly minority neighborhood, we recognize the practical need for more government-funded programs such as the National Endowment for the Arts.

Please recommend to the Committee that any cuts to NEA be rejected.

Gwen Gorg
Gwen Gorg
Government Relations Rep.
Community Arts Planning Group
PNA

hh/GG
enc.



PICO NEIGHBORHOOD ASSOCIATION
1804 14th St. #9 Santa Monica 90404 (213) 450-0401

COMMUNITY ARTS PLANNING GROUP
LONG-RANGE PLANNING DISCUSSION FEBRUARY 1981

One-year plan(concept): As artists in the Pico neighborhood we should attend block meetings and other gatherings sponsored by the PNA. We should interview our neighbors asking what if any arts skills, interests or experiences persons have had contact with. A survey, coupled with a media presentation would be an effective method to collect this data.

For a specific project the planning group will seek neighborhood and citywide support for a Multi-Cultural Arts Festival in the Fall

Three-year goal: Begin offering quality arts training on a yer-round basis at a permanent location. Through rigorous efforts at fundraising and resource development an adequate budget for salaries and supplies should be available. Also neighborhood art needs will have been assessed and programs designed.

Five-year plan: establish an art center facility in the Pico neighborhood. Board control will rest with the PNA Community Arts Planning Group or an incorporated unit of the PNA.

"Operation Contact" is the citizen participation program of the Pico Neighborhood Association, funded with Santa Monica Community Development Block Grants.

Los Angeles Area Dance Alliance

5820 WILSHIRE BOULEVARD • SUITE NO. 300 • LOS ANGELES, CALIFORNIA 90036 • (213) 937-9586

March 18, 1981

The Honorable Sidney R. Yates, Chairman
Interior Appropriations Sub-Committee
2234 Rayburn Office Building
Washington, D.C. 20515

Dear Chairman Yates;

The Los Angeles Area Dance Alliance is an organization serving and representing 75 dance companies and 500 dance individuals in the greater Los Angeles Area. Our constituancy stretches from Santa Barbara on the North to San Diego on the South and Riverside to the East.

We are very concerned about the drastic cuts being recommended for the National Endowment for the Arts. We hope for less than the 50% being recommended by the Office of Management and Budget, and encourage your support. Certainly, we are willing to accept our part of the current financial burden the country is facing, but feel that the recommended 50% is far too drastic a cut from an already low appropriation.

As an arts administrator I know that in order to make arts accessible to the public and to raise funds from the private sector, we must have the validation of government support.

Two small grants the the Los Angeles Area Dance Alliance has received from the National Endowment for the Arts over the past two years has made it possible for us raise the matching funds from the community. The funds have been used to support consultation and management services such as helping artists learn how to budget, advise on production projects, assistance on finding performance space etc.

Again, we encourage your assistance.

Sincerely,

Betty Empey

Betty Empey
President/Director

cc; The Honorable Julian Dixon

RECEIVED
MAY 2 1981
SIDNEY R. YATES, M.C.

March 20, 1981

Lawrence W. Greene
22 West 71st Street
New York, NY 10023

Hon. Sidney R. Yates, Chairman
House Interior Appropriations
Sub-Committee
2234 Rayburn
Washington, DC 20515

Dear Chairman Yates:

The proposed measure to substantially reduce the appropriations for the Arts and Humanities Endowments is a grieviously misguided plan. As a former staff member of the National Endowment for the Arts I have witnessed the beneficial effect of this support. America's preeminent world role in the arts is in part attributable to the work of the Endowments.

Federal support of the arts has not been an abused crutch, but rather a lively catalyst in attracting support from other sectors of the economy for use by arts institutions. Yet, inflation has obliterated the real effect of increases in the appropriation for the arts in recent years. Organizations have responsibly lived within their means and "cut to the bone." However, the significance of a substantial cut is great indeed.

We are in danger of losing our cultural resources if the House proceeds with the sizable budgetary reduction. I urge you to reinstate these funds.

Sincerely,

Lawrence W. Greene

WEDNESDAY, APRIL 8, 1981.

ENERGY CONSERVATION

WITNESS

JOHN GIBBONS, OFFICE OF TECHNOLOGY ASSESSMENT
NANCY NAISMITH, ASSOCIATE

Mr. YATES. Mr. Gibbons, glad to see you again.

Mr. GIBBONS. May I bring my associate to the table?

Mr. YATES. You may bring whomever you wish. Oh, you may particularly bring her.

This is a continuation of the hearings on the appropriations for fiscal year 1982 on Energy Conservation. The first witness we have is Mr. John Gibbons of the Office of Technology Assessment and his statement may be made a part of the record at this point.

[The statement follows:]

TESTIMONY OF JOHN H. GIBBONS
DIRECTOR
OFFICE OF TECHNOLOGY ASSESSMENT

INTERIOR SUBCOMMITTEE
HOUSE COMMITTEE ON APPROPRIATIONS

APRIL 8, 1981

MR. CHAIRMAN:

THE OFFICE OF TECHNOLOGY ASSESSMENT IS PLEASED TO PARTICIPATE IN THESE HEARINGS ON THE CONSERVATION PROGRAMS. AS PART OF OUR GENERAL RESPONSIBILITY FOR PROVIDING THE CONGRESS WITH INFORMATION AND ANALYSIS ON VARIOUS TECHNOLOGICAL OPTIONS, OTA HAS HAD OCCASION OVER THE PAST FEW YEARS TO EXAMINE IN DETAIL THE QUESTIONS OF RESIDENTIAL ENERGY CONSERVATION, AND TO REVIEW THE DOE 1980 CONSERVATION PROGRAMS. WE ARE CURRENTLY ANALYZING ENERGY EFFICIENCY IN COMMERCIAL BUILDINGS, ENERGY PRODUCTIVITY IN THE INDUSTRIAL AREA, AND FUEL USE IN AUTOMOBILES. IN MY REMARKS TODAY, I WILL CONCENTRATE ON SOME PRINCIPLES WHICH UNDERLIE THE NATIONAL POLICY ISSUES ON CONSERVATION, WHICH I HOPE WILL ADD TO THE MORE DETAILED AND TECHNICAL DISCUSSION THAT WILL FOLLOW. THE SPEAKERS WHO FOLLOW ARE INTERNATIONALLY DISTINGUISHED IN THE FIELD OF ENERGY EFFICIENCY, AND I KNOW THAT THE COMMITTEE WILL BENEFIT FROM THEIR PERSPECTIVES.

IN ALL OUR WORK AT OTA, TWO MAIN PRINCIPLES HAVE BEEN IDENTIFIED REPEATEDLY: 1) THE FIRST PRINCIPLE, CONSERVATION MEANS INCREASED ENERGY PRODUCTIVITY - IN OTHER WORDS GETTING MORE OUT OF EACH UNIT OF ENERGY WE USE. CONSERVATION REPRESENTS OUR MOST IMPORTANT NATIONAL "SOURCE" OF ENERGY IN THE NEAR AND MID-TERM FUTURE. MANY CONSERVATION TECHNOLOGIES ARE WELL-UNDERSTOOD

76-703 0 - 81 - 23 (6b)

AND AVAILABLE, AND CAN BE PUT INTO PLACE QUICKLY. AN INDUSTRIAL SOCIETY OBVIOUSLY REQUIRES CONSIDERABLE ENERGY, BUT THE AMOUNT IS NOT FIXED. INTERNATIONAL COMPARISONS SHOW THAT IN COUNTRIES WHERE ENERGY HAS LONG BEEN MORE EXPENSIVE THAN IN THE U.S., IDENTICAL FUNCTIONS (E.G., MAKING A TON OF CEMENT) ARE OFTEN PERFORMED WITH HALF THE ENERGY USED HERE. CONSERVATION IS SIMPLY A RATIONAL READJUSTMENT TO HIGHER PRICES AND CAN FUEL ECONOMIC GROWTH DURING DEVELOPMENT OF NEW AND MORE EXPENSIVE ENERGY SUPPLIES. FOR THE BALANCE OF THIS DECADE AND WELL INTO THE NEXT, THE RETURNS FROM CONSERVATION ARE NOT ONLY THE MOST COST-EFFECTIVE ENERGY INVESTMENTS AVAILABLE TO THE COUNTRY BUT ALSO THE MOST REALIZABLE. THIS WILL BE TRUE FOR INVESTMENTS BY PRIVATE CONSUMERS, BY CORPORATIONS, AND BY GOVERNMENT, WHICH USES VAST AMOUNTS OF ENERGY. WHAT WE ARE DOING BY MAKING INVESTMENTS IN ENERGY PRODUCTIVITY IS MAKING THE MOST OF OUR CAPITAL AND ENERGY RESOURCES. SAVING ENERGY, OR USING ENERGY, ARE NOT GOALS IN THEMSELVES, BUT ARE TACTICS RELATED TO ECONOMIC EFFICIENCY AND NATIONAL SECURITY.

(2) THE SECOND PRINCIPLE IS THE ROLE OF PRICE. PRICE SIGNALS ARE CRITICAL IN ENCOURAGING INVESTMENTS IN ENERGY PRODUCTIVITY, AND UNDER DEREGULATION THE PRICE SIGNALS ARE NOW BEGINNING TO MOVE TOWARD A MORE ACCURATE REPRESENTATION OF REPLACEMENT COSTS. AS PRICES RISE, A BROAD RANGE OF CONSERVATION TECHNOLOGIES BECOME COST-EFFECTIVE, AND ARE PARTICULARLY IMPORTANT WHEN VIEWED FROM A NATIONAL ENERGY AND ECONOMIC POLICY PERSPECTIVE. WHILE INDIVIDUALS DO NOT ALWAYS MAKE INVESTMENTS STRICTLY ON THE BASIS OF MINIMUM LIFE-CYCLE COST AS ECONOMIC LOGIC AND NATIONAL INTEREST MIGHT INDICATE, THE CONSUMER RESPONSE TO PRICE IS HEARTENING. THE DESIRED RATE AND TYPE OF INVESTMENT WILL BE THE SUBJECT OF THE SPEAKERS TO FOLLOW ME, I AM SURE.

HOWEVER, "TRUE" OR REPLACEMENT COSTS OF ENERGY ARE SOMETIMES MASKED FROM THE CONSUMER. PRICES OF NATURAL GAS AND ELECTRICITY, FOR EXAMPLE, ARE INCREASING, BUT NEW HIGH COSTS ARE "ROLLED-IN" WITH THE LOWER COSTS OF OLDER SUPPLY. THUS, COMBINED PRICE LEVELS DO NOT GIVE THE CONSUMER A TRUE PICTURE OF THE VALUE OF CONSERVATION, WHICH SAVES THE COSTLY NEW ENERGY. WHILE MARGINAL PRICING REMAINS AN ATTRACTIVE CONCEPT, IT IS VERY DIFFICULT IN PRACTICE. IT MAY BE MORE EFFECTIVE TO DEVISE SURROGATES SUCH AS MINIMUM EFFICIENCY STANDARDS BASED ON MARGINAL ENERGY COST.

AN ADDITIONAL BENEFIT TO BE GAINED FROM MOVING PRICE CLOSER TO THE LEVEL OF TOTAL COST IS THAT INCREASINGLY, FIRMS WILL SEEK TO PRIVIDE "GOODS AND SERVICES," RATHER THAN SIMPLY FUELS. IN OTHER WORDS THEY WILL LIKELY OFFER HEAT, HOT WATER, COOLING, ETC., BY THE MOST EFFICIENT MEANS AVAILABLE RATHER THAN FIRST SELLING ENERGY TO ACHIEVE THESE OBJECTIVES.

THERE ARE ALSO A NUMBER OF IMPORTANT QUESTIONS WE HAVE RAISED ABOUT CONSERVATION IN OUR PREVIOUS WORK, WHICH THE COMMITTEE MAY WISH TO CONSIDER.

1. <u>IS CAPITAL AVAILABLE, IN SUFFICIENT QUANTITY AND AT AFFORDABLE RATES, TO ALLOW THE ECONOMICALLY JUSTIFIABLE INVESTMENT IN ENERGY PRODUCTIVITY</u>? CERTAIN ENERGY CONSUMERS MAY LACK THE DISCRETIONARY CAPITAL TO MAKE EVEN HIGHLY COST-EFFECTIVE INVESTMENTS. FOR EXAMPLE, THOSE PORTIONS OF SOCIETY CLAIMING THE FEDERAL INDIVIDUAL INCOME ENERGY TAX CREDIT ARE LARGELY CITIZENS ABOVE THE MEDIAN-INCOME LEVEL. THIS FACT REFLECTS THE AVAILABILITY OF BOTH DISPOSABLE INCOME AND TAX LIABILITY. IF INCOME TAX CREDITS ARE TO BE THE PRINCIPAL MODE OF ASSISTANCE FOR FINANCING INVESTMENT, PEOPLE BELOW MEDIAN-INCOME WILL BE LESS ABLE TO PARTICIPATE. AT LOWER INCOME LEVELS, CITIZENS ELIGIBLE TO RECEIVE PAYMENTS TO OFFSET FUEL

BILLS WOULD NOT BE ABLE TO IMPROVE THEIR HOMES AND THUS BECOME MORE RESISTANT TO COST INCREASES, AS WELL AS USE LESS ENERGY.

SIMILARLY, SOME OF THE INDUSTRIAL FIRMS WITH THE MOST ENERGY-INTENSIVE PROCESS REQUIREMENTS -- SUCH AS PAPER AND STEEL -- ARE THOSE HAVING DIFFICULTY FINANCING NEW INVESTMENTS OF ANY KIND.

2. IS THE TECHNOLOGY READY, AND WHAT RESEARCH ISSUES SHOULD BE CONSIDERED?

WHEN NEW TECHNOLOGIES AND OPPORTUNITIES BECOME ECONOMICALLY ATTRACTIVE, A LARGE NUMBER OF ENTERPRISES USUALLY ARISE TO MARKET THE PRODUCTS. THIS IS HAPPENING TODAY WITH CONSERVATION FOR BUILDINGS AND INDUSTRY. ACCORDING TO THE APRIL 6, 1981 ISSUE OF BUSINESS WEEK, ENERGY CONSERVATION WILL BE A $30 BILLION BUSINESS IN THIS DECADE. NEVERTHELESS, IN VIEW OF THE NATIONAL INTEREST IN ENERGY EFFICIENCY THAT TRANSCENDS PRICE-INDUCED CONSERVATION, PUBLIC SECTOR ACTIONS MAY BE JUSTIFIED TO ENSURE THAT CONSERVATION MEASURES ARE EFFECTIVE. AN EXAMPLE OF SUCH AN ACTION MEASURE IS POST-RETROFIT INSPECTION OF BUILDING ENERGY CONSERVATION MEASURES. WHERE IT HAS OCCURRED, IT HAS PROVEN TO BE EXTREMELY IMPORTANT IN GENERATING THE DESIRED ENERGY SAVINGS AND IN REINFORCING THE WILLINGNESS OF THE CONSUMER TO INVEST.

ON A LONGER-TERM BASIS, RESEARCH WILL BE REQUIRED TO MAINTAIN THE COMPETITIVENESS OF AMERICAN INDUSTRY AND TO ASSIST IN MEETING MARKET DEMAND FOR ENERGY EFFICIENCY CORRESPONDING TO UNPRECEDENTED ENERGY PRICES. ALTHOUGH THERE APPEARS TO BE CONSIDERABLE EFFORT BY THE PRIVATE SECTOR TO MEET NEAR TERM NEEDS, NEW PRODUCT DEVELOPMENT,

RESEARCH ON MATERIALS, AND ON NEW INDUSTRIAL PROCESSES THAT ARE MATCHED TO PRESENT OR MARGINAL ENERGY PRICES ARE NOT ATTRACTING MUCH INVESTMENT. SUCH LONG RANGE RESEARCH HAS TRADITIONALLY BEEN A SUBJECT FOR FEDERAL SUPPORT.

3. ARE THE INFORMATION SYSTEMS WORKING, AND IS THERE A FEDERAL ROLE IN IMPROVING THEIR FUNCTION? IT IS CLEAR THAT WHILE THERE IS AN AVALANCHE OF INFORMATION ON VARIOUS ASPECTS OF CONSERVATION, MANY POTENTIAL PURCHASERS OF ENERGY-CONSUMING EQUIPMENT AND SERVICES HAVE DIFFICULTY DETERMINING THEIR OWN BEST CHOICE. CONFUSION ABOUT RESULTS, TRADE-OFFS BETWEEN PURCHASE PRICE AND OPERATING COST, AND LACK OF CREDIBLE DATA ON PERFORMANCE CONTINUES TO HOLD BACK INVESTMENT. IT IS WELL-ESTABLISHED, BY OUR WORK AND OTHERS, THAT IN THE AREA OF BUILDINGS, FOR EXAMPLE, PEOPLE LIKE TO OBTAIN INFORMATION EITHER FROM PEOPLE THEY KNOW PERSONALLY, OR FROM TRADE ASSOCIATIONS OR OTHER GROUPS OF "PEOPLE LIKE ME." BUILDINGS REQUIRE A VERY SPECIFIC FORM OF ANALYSIS TO DETERMINE BEST INVESTMENTS.

WHILE ALL MARKETS OPERATE WITH SOME IMPERFECT INFORMATION, IT IS DESIRABLE TO ENSURE THAT CLEAR AND DEPENDABLE INFORMATION IS AVAILABLE WHENEVER POSSIBLE. AN EXAMPLE OF THIS IS THE ENERGY LABELING PROGRAMS -- WHICH I UNDERSTAND WILL BE RETAINED UNDER THE PROPOSED BUDGET -- WHICH ENABLES CONSUMERS TO COMPARE THE ENERGY COSTS OF COMPETITIVE PRODUCTS. THIS PARTICULAR PROGRAM, I MIGHT ADD, DOES NOT SET STANDARDS BUT DOES PROVIDE IMPORTANT INFORMATION TO HELP MAKE THE MARKETPLACE FUNCTION MORE EFFICIENTLY.

4. ARE THERE INSTITUTIONAL DIFFICULTIES OR AREAS OF PARTICULAR COMPLEXITY WHICH REQUIRE SPECIAL ATTENTION, BECAUSE PRICE SIGNALS,

EVEN WHEN ACCURATE AND VISIBLE, STILL DO NOT GENERATE A PROPER MARKET RESPONSE? AN EXAMPLE OF SUCH A PROBLEM AREA MIGHT BE INVESTMENTS IN THE ENERGY EFFICIENCY OF MULTI-FAMILY RENTAL PROPERTY. THE TENANT ULTIMATELY BEARS THE COST OF ENERGY, EITHER DIRECTLY THROUGH SUB-METERING, WHICH HAS BECOME VERY POPULAR IN THE LAST FEW YEARS, OR THROUGH THE RENT. THE TENANT, HOWEVER, HAS LITLE FINANCIAL INCENTIVE TO INVEST IN THE APARTMENT, AND IS ALMOST CERTAIN TO BE UNCONCERNED WITH THE BUILDING'S BASIC HEATING AND VENTILATING SYSTEM, WHERE INVESTMENT IS LIKELY TO BE INDICATED. ANOTHER PROBLEM AREA IS THE CONFLICT BETWEEN THE DESIRE OF THE SPECULATIVE BUILDER OF PROPERTY TO KEEP THE PURCHASE COST LOW, AND THE INTEREST OF BUYERS IN KEEPING THE SUM OF MORTGAGE AND OPERATING COSTS AT A MINIMUM. A NUMBER OF APPARENT INSTITUTIONAL BARRIERS MAY BE FERTILE GROUND FOR RESEARCH, WHETHER PUBLICLY OR PRIVATELY FUNDED.

ENERGY CONSERVATION IS AND WILL CONTINUE TO BE A VERY IMPORTANT CONTRIBUTOR TO OUR NATION'S ENERGY FUTURE REGARDLESS OF WHAT THE FEDERAL GOVERNMENT DOES. THE REAL QUESTION IS WHETHER OUR COLLECTIVE EFFORTS, PUBLIC AND PRIVATE, ARE AS EFFECTIVE AS THEY COULD BE. I HAVE IDENTIFIED SOME AREAS WHERE THERE MAY BE RISKS INVOLVED IN RELYING SOLELY ON MARKET FORCES, PARTICULARLY IN A SITUATION WHERE THERE IS A LARGE DIFFERENCE BETWEEN AVERAGE AND MARGINAL COST OF ENERGY. I UNDERSTAND, OF COURSE, THAT THE COMMITTEE IS TRYING TO BALANCE THESE QUESTIONS AGAINST THE LARGE QUESTION OF NATIONAL ECONOMIC WELL-BEING. GIVEN THESE CONDITIONS, I URGE THAT THE COMMITTEE CONSIDER WHAT THE APPROPRIATE METHOD IS FOR MONITORING THE PROGRESS OF THE COUNTRY TOWARDS ECONOMICALLY EFFICIENT ENERGY USE, AND DETERMINING IF, WHEN, AND WHERE GOVERNMENT ACTION IS INDICATED. INFORMED POLICY REQUIRES

CONTINUING AND ACCURATE INFORMATION ON ENERGY TRENDS AND PROJECTIONS. SINCE ENERGY HAS BEEN A NATIONAL CONCERN FOR SUCH A RELATIVELY SHORT TIME, IT IS NOT CLEAR THAT ADEQUATE DATA COLLECTION MECHANISMS ARE IN PLACE.

CONSERVATION IS A SOURCE OF ENERGY. IT IS DISPERSED, AND IT CAN TAKE MANY FORMS. CERTAIN COSTS ARE ASSOCIATED WITH USING IT, JUST AS ANY OTHER SOURCE. THE DIRECT RETURN TO THE COUNTRY AND TO INDIVIDUALS FOR INVESTING IN WISE ENERGY USE IS CLEAR -- SAVE ENERGY/SAVE MONEY IS AS TRUE TODAY AS IT WAS WHEN NEW ENGLANDERS WERE CELEBRATING THE ART OF FRUGALITY AND THRIFT. BY ENABLING ENERGY TO BECOME A LARGELY SUBSTITUTIBLE COMMODITY IN SUPPLYING DESIRED GOODS AND SERVICES TO PEOPLE, MODERN TECHNOLOGY ALLOWS OUR SOCIETY TO MEET THE PROBLEM OF RISING COST AND INSECURITY OF ENERGY WITH A VERY POWERFUL SET OF RESPONSES, COLLECTIVELY KNOWN AS CONSERVATION.

I WOULD BE PLEASED TO ANSWER ANY QUESTIONS.

Mr. YATES. You may proceed.

Mr. GIBBONS. Thank you, Mr. Chairman.

I am pleased to have my associate Miss Nancy Naismith with me today.

We are pleased to participate in these hearings today. As part of our general responsibility for providing Congress with an analaysis of various technological options, OTA has had occasion over the past several years to examine in some detail the question of residential energy conservation and we also reviewed the Department of Energy's 1980 conservation programs. We are currently analyzing energy efficiency in commercial buildings, energy productivity in the industrial area and also some work on fuel use in automobiles as traded off against synthetic fuel.

My remarks today will draw from that experience. I will concentrate, however, today on some principles which underlie national policy discussion of conservation because I am certain that some very rich detail will follow my testimony this afternoon by the other distinguished speakers who you have arranged to come before you.

In all of our work at OTA two main principles have been identified and encountered repeatedly; that is, the work associated with energy. The first principle is conservation which means increased energy productivity and that in turn means getting more out of each energy that we use to provide goods and services. Conservation represents the nation's most important national source of energy not only in the near term future but in the longer term future. Many conservation technologies are well understood and are available and can be put into place quickly today.

An industrial society such as ours obviously requires substantial energy but the amount of energy required is not fixed. In many industrial countries where energy for some time has been considerably more expensive than that in the United States, one finds energy being used substantially more efficiently than here; for example, as little as half the amount of energy to make a barrel of cement than currently here in the United States. The reason for that is very simple, they have had more time to make a rational adjustment to the higher price of energy and in doing so it can apply the fuel saved as with conservation to help provide for its economic growth; that is, the energy saved in a sense is energy produced.

For the balance of this decade and I would say well into the next and on in past the turn of the century the returns from conservation are not only the cost effective energy investments available to our nation but also the most realizable, particularly over the next decade or two. This will be true for investments by private consumers, by corporations and by the Government which as you know also is a substantial energy consumer.

What we do by making investments in energy productivity is simply making the most of our capital and energy resources in maximizing our welfare. Saving energy or using energy are not goals in and of themselves but are rather tactics among others that are related to economic efficiency and, in the case of energy, to national security.

The second principle that we repeatedly encounter is the fundamental role of price in the energy system. Price signals are critical to encourage investments in energy productivity and under deregulation prices are now beginning to move toward at least a more accurate representation of replacement costs; in other words, higher prices not only call for more supply but they call for some more economic use of that resource. As prices rise a broad range of conservation technologies become cost-effective and are particularly important when we view the issue from a national perspective.

While individuals do not always make investments strictly on the basis of minimum life cycle cost, at least as much as economic logic and national interest might indicate, consumer repsonse to higher energy prices is certainly encouraging at this early time here in 1981. The desired rate and type of investment for conservation will be presumably the subject of the speakers that will follow me this afternoon.

However, despite the response to present price, the true or so-called replacement costs of energy are sometimes masked from the consumer. Prices of natural gas and electricity, for example, are increasing but new high costs are rolled in with past lower cost sources of energy so the consumer sees only the average. In the Pacific Northwest, for example, the marginal or the cost of new kilowatts in that area is as much as 10 times higher than the present cost of the invested facilities there.

Thus combined price levels don't give the consumer a true picture of the value conservation which saves the costly new energy. While marginal pricing remains an attractive concept it is very difficult in practice to see how it could be implemented. It may be much more effective to devise surrogates for marginal cost pricing such as minimum efficient standards based on marginal energy costs as an economic rational.

An additional benefit to be gained from moving the price closer to the level of true total cost is that increasingly energy firms will seek to provide the goods and services related to energy rather than energy itself. In other words, they will be likely to offer heat, hot water, cooling and other energy services by the most efficient means available rather than simply just selling energy to achieve these ends. This may in turn require policy changes at the Federal, State and local level in order to enable that adjustment to be made. There are also a number of important questions which OTA has raisded about conservation from its previous work and I would simply like to go through these, there are about half a dozen.

First of all, is capital available, in sufficient quantity and at affordable rates, to allow the economically justifiable investment in energy productivity? Certain energy consumers may lack the discretionary capital to make even highly cost-effective investments. For example, those portions of society claiming the Federal individual income energy tax credit are largely citizens above the median income level. This fact reflects the availability of both disposal income and the tax advantages of these investments.

If income tax credits are to be the principal mode for assistance to financing conservation investments, people below the median income level will be much less able to participate. At even lower income levels, citizens eligible to receive payments to offset fuel

bills would not be able to improve their homes and thus would become more resistant to cost increases, as well as use less energy.

It is interesting to note that as a very short-term alternative such notions as energy stamps are a very important stragety for the Nation. In the longer term, however, it seems much more sensible rather than to have poor people becoming more and more dependent on energy subsidies for their existence to help them work their way out of that dependence by helping to provide them with homes and other energy consuming things that use less energy. It makes more sense, in other words, to help put glass in a broken window than to help buy energy which pours out through the window in the winter time and I know that the energy companies would all agree with me on that statement. Similarly, some industrial firms with the most energy intensive process requirements such as, for instance, steel, are having difficulty financing new investments.

The second question is, is the technology ready and what research issues should be considered? When new technologies and opportunities become economically attractive, a large number of enterprises usually will arise to develop, manufacture and market those technologies. This is happening today especially with energy conservation for automobiles, for buildings, various industrial applications. According to the April 6 issue of Business Week, energy conservation is projected to be a $30 billion business in this decade of the Eighties.

Nevertheless, in view of the national interest in energy efficiency that transcends simple price induced conservation, public sector actions may be justified to insure that conservation measures are both effective and sustained. An example of such an action is post retrofit inspection and evaluation of building energy conservation measures. Where this post-inspection and evaluation has occurred, it has proven to be extremely important in generating the desired energy savings and in reinforcing the willingness of other consumers to adapt.

On a longer term basis research will be required to maintain the competitiveness of American industry and to assist in meeting market demand for efficiency that corresponds to the unprecedented energy crisis that we not only have now but will be facing throughout this decade. Although there appears to be considerable effort by the private sector to meet near-term needs based on present average price or recent average price of energy, new product development, research on materials and new industrial processes that are matched to the present and especially to the present marginal costs of energy, which are much higher than our average costs, are not attracting that much private sector investment. Such long-range research and development has traditionally been a subject for Federal support particularly in an area where the future is so dependent on nonmarket factors.

The third question is, are the information systems working and is there a Federal role in improving their function? It is clear that while there is an avalanche of information, some good and some not very good, about various aspects of conservation, many potential purchasers of energy consuming equipment and services have difficulty determining their own best choice. Confusion about ex-

pected results, about tradeoffs between purchase price and operating costs and lack of credible data on performance continues to hold back investments. It is a sluggish system.

It is well established by OTA's work and that of others that in the area of buildings, for example, people like to obtain information either from people that they know personally or from trade associations or other groups that they can identify with. Buildings require very specific and individualized analysis to determine the best investment. While all markets operate with some degree of imperfect information, it is desirable to insure that clear and dependable information is available whenever possible. An example of this is the energy labeling program which I understand would be retained under the present budget.

Mr. YATES. Or consumers reports.

Mr. GIBBONS. Or consumers reports.

These labels enable consumers supposedly to compare the energy costs of competing products as well as the purchase price. This particular kind of program, I would say, does not set standards but it does provide important information at least to try to help the marketplace work more efficiently.

The fourth question is, are there institutional difficulties or areas of particular complexity which require special attention because price signals even when they are accurate or visible still do not generate an appropriate or proper market response? An example of such a problem area might be investments in energy efficiency of multifamily rental property. The tenant ultimately bears the cost of energy either directly through submetering or in his gross rent but the tenant has little financial incentive to invest in the apartment, either insulation or other energy conserving investments, and he certainly is going to be unconcerned about investing in improving the building's basic heating and ventilation and cooling system.

Another problem area is the conflict between the desire of the speculative builder particularly, say, of individual homes or condominiums to keep the purchase cost low and the interest of the buyers in keeping the sum of both the mortgage and the operating cost at a minimum. A number of apparent institutional barriers may be fertile ground for evaluation via public policy or privately funded but we feel that it is terribly important to give attention to that matter.

Energy conservation is, Mr. Chairman, and will continue to be, a very important contributor to our Nation's energy future regardless of what the Federal Govenment does. The real question is whether our collective efforts, both public and private, are as effective as they could be and should be.

I have identified this afternoon some areas where there may be risks involved in relying solely on market forces, particularly in the situation that we are in today where there is a very large difference between average and marginal cost of energy. I understand, of course, that your committee is trying to balance these questions against the larger question of national economic well being. Given these conditions I would urge that the committee consider what the appropriate method is for monitoring the progress of our Nation toward economically efficient energy use and

determining if and when and where Government action is indicated.

Informed policy requires continuing and accurate information on energy trends and projections. Since energy has been a national concern for such a relatively short time, it is not clear that adequate data collection and analysis mechanisms are in fact in place. Conservation is certainly a source of energy, it is dispersed and it can take many forms. Certain costs are associated with using it just as any other source. The direct return to the country and to individual consumers for investing in wise energy use is very clear.

Save energy, save money is as true today as it was when New Englanders were celebrating the art of frugality and thrift. By enabling energy to become a largely substitutable commodity to supply as desired goods and services to people modern technology, whether it be existing or potential, can allow our society to meet the problem of rising energy costs and rising insecurity of energy with a very powerful set of responses collectively known as conservation.

Thank you, Mr. Chairman. I would be pleased to answer any questions.

Mr. YATES. Thank you. You have had a very good statement.

I could not help thinking as you testified about market forces that they are going to bear a tremendous burden. We had testimony two days ago by the Emergency Preparedness Group and they are just doing away with everything and they say, we will let the market take care of it. Now I don't know how the market can take care of it when the supply is cut off, it just doesn't make sense.

Thank you, Mr. Gibbons.

Mr. GIBBONS. Thank you, Mr. Chairman. We appreciate the opportunity to testify.

OVERVIEW

WITNESSES

CLARK BULLARD, UNIVERSITY OF ILLINOIS
ERIC HIRST, OAK RIDGE NATIONAL LABORATORY
GRANT THOMPSON, CONSERVATION FOUNDATION
ROBERT WILLIAMS, PRINCETON UNIVERSITY

Mr. YATES. Mr. Bullard, Mr. Hirst, Mr. Thompson and Mr. Williams.

The statements of Mr. Bullard, Mr. Hirst, Mr. Thompson and Mr. Williams may be made a part of the record at this point.

[The statements follow:]

TESTIMONY OF

DR. CLARK W. BULLARD

BEFORE THE

COMMITTEE ON APPROPRIATIONS

U.S. HOUSE OF REPRESENTATIVES

APRIL 8, 1981

Good afternoon. My name is Clark Bullard, and I am presently Director of the Office of Energy Research and Professor of Mechanical Engineering at the University of Illinois at Urbana-Champaign. From 1977 through 1979 I was Director of the Office of Conservation and Advanced Energy Systems Policy at the U.S. Department of Energy. I have also spent one year with the Office of Technology Assessment and welcome this opportunity to return to the Congress and testify on the proposed DOE budget for conservation.

I do not dispute the need for cutting the DOE budget, and am sympathetic to the Reagan Administration's desire to accelerate decontrol of energy prices. But decontrolling oil and gas prices would transfer about $150 billion per year from energy consumers to energy producers, relative to the 1979 base year. Instant decontrol would therefore create about a $2000/family/year incentive for conservation that didn't exist before. And this $150 billion incentive makes the entire DOE budget of about $1 billion look insignificant by comparison.

The Decontrol Myth

These massive conservation incentives that would result from total decontrol form the basis for the Administration's proposal to emasculate the conservation budget. But these benefits are hypothetical, because price controls remain intact on electricity and natural gas, which account for more than half of retail energy sales. Moreover, in the unlikely event that these prices were immediately decontrolled, the available evidence indicates that markets in conservation technologies do not work as well as Mr. Stockman assumes, government action would still be needed to smooth the transition.

But it is frankly inhumane to clobber inflation-stricken American

families with instant decontrol, without giving low income households tax relief or welfare increases amounting to about $2000 each. For this reason, I believe instant decontrol of natural gas will not occur, and the Administration's recent backpedalling on the issue tends to confirm this suspicion.

If natural gas decontrol is unlikely, then decontrol of electricity prices is impossible. Three years ago Congress was able to pass only a watered-down version of the Public Utility Regulatory Policy Act, which requires states to merely consider market pricing of electricity. And a Mississippi judge recently declared it an unconstitutional invasion of States' rights to subsidize electricity prices.

Subsidizing energy through price control is a bad policy; it creates severe problems for the entire U.S. economy. But despite the Administration's rhetoric and wishes, gas and electricity prices will remain subsidized and controlled for the forseeable future. The market cannot and will not work under such conditions. Oil imports will exacerbate inflation, artifically low prices will create artifically high demand for gas and electricity, and scarce investment capital will be diverted to constructing unnecessary power plants and syngas plants to serve the inefficient buildings and appliances being constructed today. The tragedy is that this capital will be sapped away from the urgent task of reindustrialization.

What the Reagan Administration forgets is that markets respond not only to correct price signals, but to incorrect ones as well. With half of America's energy still being retailed at subsidized rates, and with billions of taxpayer dollars still being pumped into the nuclear industry, it is insane to expect producers of appliances, buildings and industrial equipment to build them efficiently. Each under-insulated home or inefficient

smelter built today represents a commitment to wasting energy for 50-100 years in the future. America cannot afford it.

In previous years, Congress recognized that compassion called for decontrol to proceed slowly, in order to minimize the human costs of the energy transition. But Congress also recognized that America had to start immediately modernizing its energy-consuming infrastructure -- more than a trillion dollars worth of economically obsolete energy-consuming buildings, vehicles and industrial equipment in a post-embargo world economy. Congress instructed DOE to take actions to offset the effects of energy price controls, to encourage American industry to build and buy energy-efficient equipment that would enable America to compete in the post-embargo world economy.

Cuts in Regulatory and Information Programs

The specific Reagan budget cuts are rationalized by a set of simplistic non-sequiturs that defy reason. There is just no way that decontrol of oil prices will cause a builder to put more insulation in a gas-heated home, or cause an Illinois family to buy an efficient electric refrigerator. Appliance efficiency standards and building energy performance standards might help, but the budget for these Congressionally-mandated programs has been decimated. What's even more shocking is that the analyses performed in the process of developing these standards revealed that the markets for buildings and appliances are so imperfect that the industries have not even responded efficiently to the energy price increases of the last decade. This means that even total decontrol would not cause the right amount of conservation to occur. The "perfect information" needed by manufacturers and consumers does not exist; its production and diffusion (without government intervention) takes a very long time. The only institution that can

produce and disseminate such information in a timely manner, the DOE conservation office, is apparently being closed down.

The Reagan Administration's approach is thus guaranteed to be inscrutable. Even if its wish for instant decontrol comes true, and the nation embarks on a $2000/family/year experiment, there will be no way to measure the success -- or failure -- of the experiment. There will be no data on the efficiency of new buildings, and no "perfect information" about whether the technologies employed represent an economically efficient response to the deregulated prices. The DOE (CS and EIA) budgets for monitoring and analyzing the efficiencies of new buildings and other investments ought to be increased significantly whether prices are decontrolled or not.

I do not believe that mandatory standards are the only way -- or the best way -- to realize cost-effective energy efficiency improvements. Once the appropriate efficiency rating is determined, for example, income tax credits could be offered to (domestic) manufacturers or builders whose produces exceed the standard. Those who fall short (domestic or foreign) could be subject to a "guzzler tax." The efficiency rating and the tax rates could be set at levels such that revenues exactly offset tax credits. The program would require no more bureaucrats to administer than a simple labeling program. Without such a program we're likely to wake up in 5 years, when we finally get around to decontrolling gas and electricity prices, and find the U.S. market flooded with efficient, high quality air conditioners, and computer-controlled HVAC systems and industrial equipment imported from companies abroad who are developing such technologies today for sale in their local markets that already face higher energy prices.

I prefer the tax credit approach to regulations because I believe its

76-703 0 - 81 - 24 (6b)

flexibility, and its incentives for exceeding the standard, will result in quicker technological innovation, greater energy savings and faster implementation. Though possibly less effective than tax credits, mandatory efficiency standards will be far more effective in the face of controlled electricity and gas prices than simple labeling or information programs. But to cut or eliminate information programs such as the Residential Conservation Service, at a time when prices are rising so abruptly, is irresponsible. It is also important to recognize the value of the information produced by the analytical efforts supporting development of appliance and building standards; it is useful to producers and consumers alike. An effort of about $70 million annually is needed in the areas of buildings and appliances alone.

Cuts in Basic Research

Besides the applied research underlying the tax and regulatory programs, basic research programs essential to conservation are also slated to be cut. For example the building systems category, which includes basic research on building materials, controls, and energy performance analysis was cut more than one-third below its proposed level for FY 82. This also is a serious mistake. Without a fundamental understanding of convective and radiative heat transfer processes in well-insulated buildings made of new materials, architects and engineers will have no basis for developing new energy saving designs or heating and cooling systems.

Likewise without basic research on advanced materials, heat transfer mechanisms, and chemical processes, U.S. industry will continue to lag the rest of the world in development of energy-saving industrial processes and equipment. The reason is simple, our foreign competitors have been facing higher energy prices longer than we. When total decontrol finally

occurs, or when prices take another sudden jump due to a war in the Mideast or due to unexpected news about carbon dioxide or reactor safety, U.S. industry will not have the technological base from which to bring new energy-efficient products to the world market. The proposed cuts in basic research supporting buildings, transportation, and industrial technologies, remove the nation's safety net.

Solar and Conservation Bank

I have intentionally avoided mentioning the proposal to eliminate funding for the Conservation Bank, because I wanted to focus on the need for policies to save significant amounts (20-40 percent) of energy in new buildings and appliances. These regulatory programs are moderately progressive because their costs are borne mainly by upper-income purchasers. We face a different problem with existing buildings, however, where it would take literally tens of billions of dollars worth of grants and tax credits each year to offset the effect of rolled-in pricing of electricity and gas. Measured on this scale, the 15 percent tax credit for residential conservation retrofits is only a token. Furthermore, Treasury Department statistics show it is only effective with taxpayers above the median income level. Those below median income generally file the 1040A short form, or are too poor or elderly to pay any taxes at all. These are the people the Conservation Bank, with its 30 percent subsidy through low interest loans, was intended to help. To eliminate this support from the poor, while retaining the tax credit for the rich, requires consideration of more than its effect on oil imports. Your vote on this issue will not only be seen as a statement on energy policy, but also as a reflection of your compassion for elderly and poor who lack the up-front capital to insulate -- and therefore keep -- the home they worked so hard to own.

This concludes the prepared portion of my statement. I have focused on only a few examples, but would be happy to answer questions pertaining to other parts of the proposed budget. I have also attached, for the record, a more detailed discussion of the nature and extent of the energy problems facing the nation, and the role of conservation in dealing with it.

Improving Energy Efficiency: The Effectiveness of Government Action*

Eric Hirst
William Fulkerson
Roger Carlsmith
Thomas Wilbanks

Oak Ridge National Laboratory
Oak Ridge, Tennessee 37830

April 1981

*Research sponsored by the Office of Conservation and Solar Energy, U.S. Department of Energy, under contract W-7405-eng-26 with Union Carbide Corporation.

By acceptance of this article, the publisher or recipient acknowledges the U.S. Government's right to retain a non-exclusive, royalty-free license in and to any copyright covering the article.

IMPROVING ENERGY EFFICIENCY: THE EFFECTIVENESS OF GOVERNMENT ACTION

Eric Hirst
William Fulkerson
Roger Carlsmith
Thomas Wilbanks

Oak Ridge National Laboratory
Oak Ridge, Tennessee 37830

ABSTRACT

Energy conservation involves the substitution of intelligence, prudence, maintenance, and better equipment for scarce, insecure, and costly energy. These substitutions improve efficiency of energy use and thereby enhance economic productivity. In addition to the economic benefits of lower costs for energy services, conservation reduces dependence on foreign oil supplies, reduces the environmental impacts of energy production, and provides time to develop additional energy resources.

The benefits of conservation are clear, but the proper role for government is hotly debated. Although the normal workings of the market system (higher fuel prices) are doing much to stimulate cost-effective conservation actions, several barriers to conservation still exist. Government programs are needed to help overcome these barriers (related to inappropriate fuel prices, government regulations, lack of information, inertia, and capital costs). These programs can take several forms to stimulate and hasten adoption of conservation actions.

Although the methodology for estimating future benefits of government programs is not fully developed or verified, recent analyses indicate that present Department of Energy conservation programs could reduce annual energy use by 2.7 Quads in 1985 and by 13 Quads in 2000. These savings are over and above those due to normal market forces (higher fuel prices), federal tax credits, new car fuel economy standards, and decontrol of oil and gas prices. The estimated cumulative oil saving for this 20-year period is 41 Quads; the present worth of the oil saving at an assumed $10 per barrel incremental social cost is $50 billion. This economic benefit is in addition to the savings realized by energy consumers themselves. These estimates are reinforced by evaluations of the effectiveness of specific government programs and by considerable anecdotal evidence.

1. INTRODUCTION

The major uncertainty about energy conservation is not its desirability or effectiveness, but rather the proper role for government in promoting it. The purpose of this paper is to investigate and document the need for government programs that reduce oil imports and improve energy efficiency throughout the U.S. economy. Although the market forces of rising fuel prices are doing much to spur voluntary actions to improve energy efficiency, there are a variety of barriers to such actions that only effective government programs can overcome.

During the past several years, work has been underway at several organizations to develop and use analytical methods for estimating the energy and economic benefits of energy-efficiency improvements in general and of government programs in particular.[1-10] More recently, research has been directed toward carefully evaluating the effectiveness of ongoing government conservation programs.[11-15] This paper summarizes results of this research and provides information on the expected benefits from government programs. These estimates should be helpful in making decisions on the level and types of government conservation programs that are needed.

The remainder of this section discusses recent energy trends and the role of conservation in resolving U.S. energy problems. Section 2 discusses barriers to implementation of energy-efficiency improvements. Section 3 describes various government programs designed to overcome these barriers. Several specific examples of market failure and effective government programs are provided throughout the paper.

Until the early 1970's, U.S. energy supplies were secure and inexpensive. As the economy grew after World War II, the demand for energy grew. Because the domestic supply of crude oil grew more slowly than demand, the growing gap between them was filled with inexpensive imported oil. By 1973, oil imports totaled 6.1 million barrels per day (37 percent of U.S. oil use).[16,17]

Since then, our energy supply has been neither secure nor inexpensive. The 1973 oil embargo showed that heavy dependence on oil from unstable regions of the world makes us vulnerable to oil supply disruptions. Such a disruption, or even the threat of one, has grave implications for domestic and international economic stability, foreign policy, and national security.

The quadrupling of world oil prices immediately following the 1973 embargo contributed to the economic disruptions of the mid-1970's. But oil imports continued to grow and reached 8.6 million barrels per day in 1977, almost half the total U.S. oil use. Even though oil prices again doubled during 1978 and 1979 and imports began to decline, we still import about 40 percent of our oil.[16,17]

Why have imports remained so high in the face of severe price increases and clear threats to national security? Rapid expansion in the production and use of domestic energy sources is hampered by inherently long lead times as well as by potentially serious environmental, safety, and logistical problems.[8,9] Also, much of the nation's stock of vehicles, buildings, appliances, and industrial plants (i.e.,

our capital stock) was designed and built during periods of low energy prices.[18,19] Therefore, this capital stock is economically inefficient at today's prices (Exhibit 1). This has increased production costs and has contributed to the decline in U.S. productivity growth.

Future energy supplies will be more expensive than are current supplies. Even if plentiful energy supplies become available at higher costs, prosperity, economic growth, and our ability to compete in world markets can only be maintained with sharply increased energy efficiency so that the total cost of energy services remains at acceptable levels. This is the central contribution of conservation (Exhibit 2).

The energy problem extends beyond economic efficiency and productivity issues. High and rising energy prices inflict hardships on the poor and even middle-income groups. They also create inequities among regions of the country.

By reducing the energy required to provide services such as heating, cooling and hot water, conservation reduces the levels of pollution associated with the overall production and consumption of energy. This is in contrast with the major supply options-- nuclear power, oil, coal, and synthetic fuels.

It is important to distinguish between conservation and curtailment. Curtailments (for example, Sunday closings of gas stations or mandatory reductions in winter temperature settings in commercial buildings) involve immediate short-term mandatory reductions in energy use and occur primarily because of policy failures to deal with long-term problems or because of unforeseen shortfalls.

Exhibit 1

IMPROVING U.S. ENERGY PRODUCTIVITY: THE LEAST-COST STRATEGY

To what extent are energy-efficiency improvements occurring naturally through the normal workings of the market system? Is government intervention needed to hasten the adjustment to higher fuel prices?

These are crucial questions in the debates about the proper role of government in improving energy efficiency. Unfortunately, they are also difficult questions to answer unambiguously. A group at the Energy Productivity Center[20] developed a novel and useful way of looking at energy consumption that sheds some light on these questions. The Center focused on energy services (such as warmth, light, and mobility) rather than on the fuels themselves. After all, society's demands are for the services that energy resources provide rather than for the raw fuels.

The Center developed a "least-cost energy strategy" for 1978 that compares the actual pattern of energy consumption with the mix of fuels and capital that would have occurred had society been minimizing long-run costs. The levels of energy services (e.g., vehicle miles traveled, thermostat settings in homes and commercial buildings) were kept the same in both cases. The second case differs from the first in that it assumes that the nation's capital stock is hypothetically reconfigured to be optimal for 1978 fuel prices.

The results are interesting and dramatic. The nation actually consumed 79 Quads in 1978, of which 36 Quads was oil. In the least-cost case, on the other hand, total fuel consumption is cut by almost 20 Quads, a 25% reduction. Perhaps more important, oil consumption is cut by almost 11 Quads, a 30% reduction.

In addition to these savings in energy and petroleum, the total cost to society of energy services (cost of fuels plus capital) is 17% lower in the least-cost case than in the actual 1978 situation. In other words, society reduces energy use by almost a third and energy consumers save money. Of course, this does not mean that the average consumer should immediately scrap existing capital for more efficient equipment. The cost would be too great and probably not economically justified. The "least-cost" example merely illustrates how far from equilibrium our capital stocks are.

The Center recently updated their analysis to 1980.[21] Even though considerable progress was made between 1978 and 1980 in terms of improved efficiency, the least-cost strategy again showed dramatic benefits. In particular, the least-cost strategy led to a 50% reduction in oil use. This potential saving is larger than the 1978 saving because the very sharp increases in oil price were not matched by corresponding efficiency improvements. In other words, it takes a long time to upgrade capital stocks.

These results demonstrate that the market system responds slowly to fuel price increases. They suggest a need for government programs that accelerate the adoption of energy-efficient buildings, equipment, industrial processes, and transportation vehicles. Information and education, research and development, tax credits, and efficiency regulations are all government actions that can move our country more quickly towards a higher level of energy productivity and a lower level of oil imports.

ENERGY SERVICE MARKET SHARES
OF VARIOUS TECHNOLOGIES

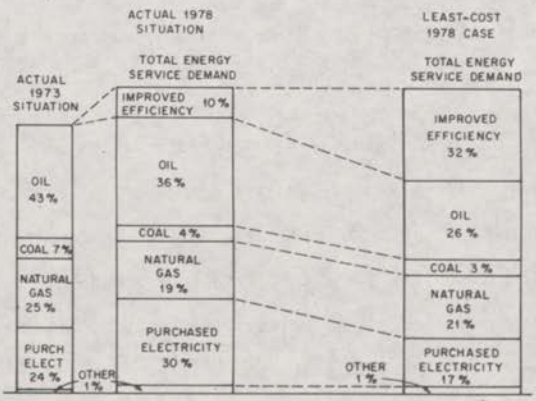


Exhibit 2

BENEFITS TO THE NATION OF IMPROVED ENERGY EFFICIENCY

- Enhance economic efficiency
- Reduce dependence on foreign oil supplies
- Save money for energy consumers
- Provide time to develop new energy resources
- Reduce adverse environmental effects from energy extraction, production, and delivery
- Improve balance of payments by exporting new energy-efficient technologies

Conservation, on the other hand, means developing energy-use patterns that reflect the true cost of energy production and use. This includes improving energy efficiency, shifting to less energy-intensive goods and services, and switching from oil to other fuels.

There are two basic ways to improve energy efficiency. The first involves improvement in the technical efficiency of energy-using systems - space heating and cooling equipment, appliances, building structures, transportation equipment, and industrial process equipment. These measures are characterized by minimal behavioral change, some (occasionally high) capital costs, and delays in implementation until existing equipment wears out.

The second way to improve efficiency involves changes in the operation of existing systems. These are characterized by their low (or zero) capital cost, the speed with which they can be implemented, and the fact that all require operational (human) changes.

In the long term, renewables, synthetic fuels, and other energy sources will play major roles in the energy picture, but conservation and fuel switching are the major options to reduce vulnerability through decreased dependence on foreign oil over the next decade. Even as new energy sources come on line, conservation will remain vitally important. Because new energy sources will be more costly than the traditional sources they replace, increasing energy efficiency will be a key part of a long-term, cost-effective solution to our energy problem.

Conservation is the least expensive "energy source" in the U.S. Many conservation measures save oil at costs that are substantially below the present $34 per barrel cost of crude oil imports. Moreover, from the consumer's perspective, the relevant comparison is with the delivered price of such imported energy, which is currently about $50 per barrel. If a premium were added to account for the cost of vulnerability, the true cost of oil from the nation's perspective would be much higher. Various estimates have been made for this premium; we use $10 per barrel in this paper.

2. BARRIERS TO CONSERVATION

Despite the variety and cost-effectiveness of available conservation practices and measures, it appears that improvements in energy efficiency are occurring slowly. There are several barriers to rapid and effective adoption of these conservation options.[22]

Fuel Prices. Market forces are playing a major role in facilitating the economy's adjustment to significantly higher energy costs;[23,24] but the rate of adjustment is slower than it should be because energy prices do not yet adequately reflect energy costs.[25] The President recently deregulated all oil prices.[26] The Natural Gas Policy Act of 1978 will gradually deregulate some gas prices by 1985.[27] The Public Utilities Regulatory Policies Act of 1978 (PURPA)[28] encourages state regulatory bodies to consider new rate schedules that reflect marginal costs,[29] penalize inefficient users, encourage small power producers (including cogenerators), and generally strengthen market incentives. However, important as these steps are, 45 percent of natural gas will not be completely deregulated in 1985[30] and many utilities will not follow the voluntary PURPA guidelines.

Furthermore, market forces will not direct the economy to the socially optimal level of energy conservation. There are significant costs associated with vulnerability to oil supply disruptions that go beyond the cost of imported oil.[31] In addition, some environmental pollution costs are not reflected in market price signals. Finally, decades of subsidies for conventional supply options further distort

market signals about the economic attractiveness of conservation options. For example, by making energy prices artificially low, government subsidies to synfuels production as well as to conventional energy production undercut market incentives that would encourage adoption of conservation technologies.[25,32]

Imperfect Information. Individuals and businesses often have neither adequate information nor sufficient ability to determine the life-cycle costs of alternative energy options. Furthermore, obtaining such information and the requisite professional help to make such comparisons is burdensome and expensive. Therefore, individuals and firms typically make decisions based primarily on initial costs. While this may be rational for individuals who face decisions where the net benefits may be both uncertain and small relative to the cost of obtaining additional information, such behavior adds up to substantial energy waste on a national scale (Exhibits 3 and 4).

Inability of the Private Sector to Capture Full Benefits of R&D. The benefits from successful research and development on generic technologies generally cannot be fully captured by the firm that successfully pursues such activities. Thus projects are foregone where the likely national benefits greatly exceed the costs, but where the private benefits do not exceed the private costs. Such research and development will not be undertaken without Government support.

Constrained Capital Availability. To the extent that the appropriate market response to higher energy prices requires investment, the efficient functioning of the market requires that firms and individuals

Exhibit 3

RETROFIT POTENTIALS AT INSTITUTIONAL BUILDINGS

During the past two years, a group of trained energy auditors from the Oak Ridge Associated Universities (ORAU) conducted audits at 48 hospitals in four states (New York, Virginia, Pennsylvania, Tennessee). The audits included reviews of hospital utility bills, examination of blueprints and equipment specifications, discussions with hospital operating personnel, walk-through of the facility, detailed data collection within the hospital, and subsequent calculations and analysis.[33]

Their results are startling. Of the almost 900 audit recommendations made by the ORAU staff, more than 100 involve no capital cost at all. These measures would cut energy use at the typical hospital by more than 5% of baseline energy use. Implementing all the recommendations offered would cut annual energy use by about 100 thousand Btu/ft^2, equivalent to more than 20% of baseline energy use. The investment required to make these energy-saving changes would be repaid with lower fuel bills in about one year.

The fact that these measures, most of which are quite inexpensive, were not being adopted at the hospitals suggests that government programs are needed to inform and motivate managers of institutional buildings about the benefits of these cost-effective conservation measures. The federal Institutional Conservation Program (ICP), created by the 1978 National Energy Conservation Policy Act (NECPA), is designed to do just that.[34] It offers matching grants to schools, hospitals, local governments, and public care institutions to audit and retrofit their buildings.

Assume that the potential energy savings uncovered at these 48 hospitals is typical of that in the 450 thousand buildings eligible for the ICP.[35] The potential - and largely untapped -energy saving is more than 0.7 Quads, of which almost 0.5 Quads (equivalent to more than 200 thousand bbl/day) is natural gas and oil. The value of the oil and gas savings to these institutional buildings amounts to about $4 billion a year. If the value of oil to society (i.e., the oil import premium) is about $10/bbl, then the additional benefit to society of these fossil fuel savings is almost $900 million a year. NECPA authorized a total of $900 million of federal matching grants for the ICP; the above calculations suggest that this federal investment will be repaid very quickly.

AUDITS AT 48 HOSPITALS SHOW LARGE POTENTIAL ENERGY SAVINGS

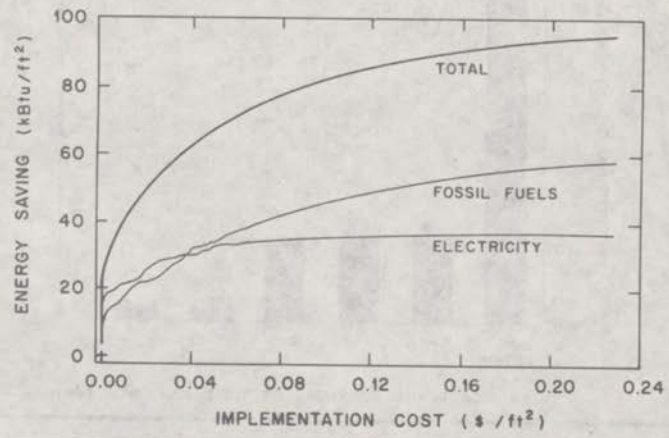


Exhibit 4

HOUSEHOLD RETROFIT ACTIONS: THE NEED FOR GOVERNMENT PROGRAMS

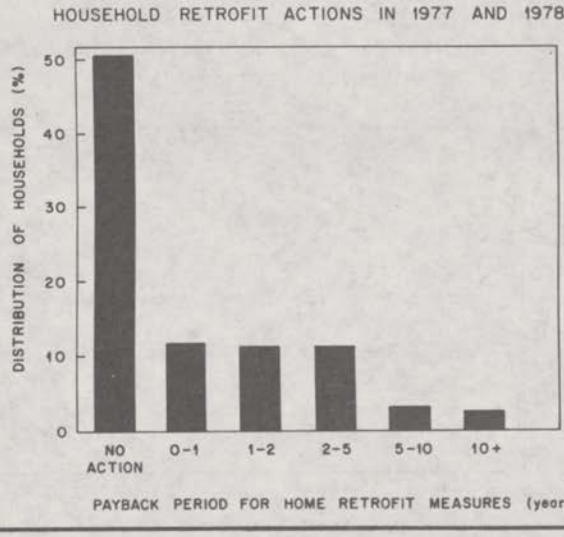
In late 1978, DOE's Energy Information Administration conducted a survey of four thousand households. Results from this survey, based on a detailed home interview, provide considerable information on household energy use and retrofit actions.[36]

The survey included questions on household actions to conserve energy that had been taken in 1977 and 1978: inexpensive measures such as caulking and addition of plastic coverings on windows, as well as more expensive measures such as attic and wall insulation. Altogether, questions were asked about 11 different conservation actions.

Analysis of the EIA survey results showed that more than half the households took no retrofit action during the two-year period covered[37] These households are different in many ways from those who did implement conservation measures. The "retrofitters" were, on average, two years younger, had annual incomes of almost $2000 more, lived in homes that were three years older, were more likely to own their homes, were more likely to live in single-family homes, and had higher fuel bills (by about 10%) than did the nonretrofitters.

The households that did install some conservation measures tended to pick only the very inexpensive measures. Only one-fourth of these households installed measures with a payback of more than five years.

These results suggest considerable additional potential to reduce energy use in homes. Two government strategies are implied by the survey data. First, programs are needed to encourage nonretrofitters to adopt at least some conservation measures. Second, programs are needed to encourage those who have already adopted some measures to implement the more expensive but cost-effective measures that are generally not being adopted yet. DOE's Weatherization Assistance Program is aimed at retrofitting homes of elderly and low-income households (two groups shown by the EIA survey who are not doing so on their own). The Residential Conservation Service and Energy Extension Service are aimed at encouraging other households to implement additional cost-effective measures that the EIA survey shows are not being widely adopted.[34]



have access to capital. If they do not, market forces alone will not bring about an efficient response. This is an overriding problem for low-income individuals who do not have the capital required to retrofit their homes and to invest in energy-efficient consumer durables, and also for utilities and small businesses.

Institutional and Regulatory Barriers. A variety of government laws and regulations inhibit adoption of cost-effective conservation measures. For example, almost every community in the United States has its own building code, originally established to ensure compliance with fire, health, and safety requirements. These codes could spur energy efficiency of new buildings by incorporating requirements on the thermal performance of structures and the efficiency of heating systems. However, the multiplicity of building codes and differences among codes and how they are administered complicate and reduce this potential (Exhibit 5).

When the owner of a building is also the sole occupant of that building, there is little ambiguity about who pays the costs and who receives the benefits of adopting conservation measures. However, for a building that is tenant-occupied, this is a problem. If the tenant pays for utilities, then the owner has little incentive to invest in energy-efficient systems; the costs would accrue to the owner but the benefits would accrue to the tenant. The fact that one-third of the nation's housing stock is occupied by renters emphasizes the significance of this issue.[40]

Exhibit 5

MARKET FAILURES ASSOCIATED WITH ENERGY EFFICIENCY OF NEW HOMES

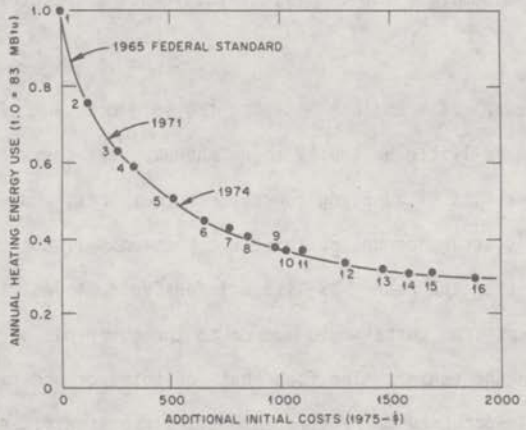
A key issue related to the need for government programs is the question "How well does the market work in leading to decisions that are optimal from society's point of view?" A recent analysis of the thermal performance of new homes constructed in 1976 sheds some light on this question.[38]

Engineering analyses of new home design in ten different cities around the country led to curves such as that shown below for Kansas City. In each case, the first few dollars of extra investment in energy efficiency yield large energy savings, while further investments yield decreasing marginal energy savings (the well-known law of diminishing marginal returns).

Using data collected by the National Association of Home Builders,[39] the analysis compared the actual construction of new homes (insulation levels in attic, floor, walls; window and door glazing) in these ten cities with the engineering cost relationship described above. This comparison showed where on the energy use/capital cost tradeoff curve houses were being constructed. Using values for heating and cooling degree days and fuel prices specific to each city, the marginal rate of return to investments in thermal performance was computed for each city.

The results showed a wide range in rates of return, all of them considerably higher than the estimated market rate of return (3% real, net of inflation). For example, electrically heated homes in Kansas City were built in 1976 at levels of thermal performance that imply a required marginal rate of return of 100% (i.e., a one-year payback on the investment). The actual level of thermal performance corresponds roughly to point 6 in the figure. If investment had included measures to the point at which the marginal return was 3% (real), energy use for the new home would have been 29% less than it was (roughly point 14 in the figure).

These results provide strong evidence that the new housing market is not economically efficient. Decisions made by home builders and buyers imply extremely high discount rates, rates that yield a serious underinvestment in energy-efficient structures and heating equipment. This market imperfection probably arises because home builders seek to minimize first cost (without much regard for the subsequent operating cost). Home buyers are generally unaware of the thermal performance characteristics of new homes and of how these characteristics influence fuel bills. This problem and the enormous disparity between private and social discount rates indicate considerable need for government programs.



Heating load versus capital cost for a new single-family home in Kansas City. Each point on the curve corresponds to additional amounts of attic, floor, and wall insulation; and storm windows and doors.

Community conservation programs, such as district heating, require coordination among many parties, complex financial arrangements, long-range planning, and conformance with many laws and regulations. A national strategy is needed to help private investors overcome the many institutional barriers associated with such systems.

Inertia. Until the early 1970's, the energy cost of operating systems was a small and declining fraction of the total cost. Therefore, little attention was devoted to energy efficiency. Now with fuel prices very much higher - and bound to rise even further - changes in thinking are occurring with respect to the design, purchase, and operation of systems. However, it will take time to overcome inertia and tradition and thereby adjust efficiently to higher fuel prices.

Perceptions. There is also a common belief that energy and economic growth are tied together by an iron link. Although energy use and GNP show considerable variation, belief that the energy/GNP ratio is constant undoubtedly leads to considerable reluctance to adopt energy conservation measures. Between 1950 and 1973, overall energy productivity (as measured by the ratio of energy use to GNP) increased by only 0.2 percent per year. Between 1973 and 1980, however, this productivity measure improved by 1.8 percent per year.[16,17] These results suggest that economic growth does not require comparable energy growth.[41]

A related obstacle is the belief that conservation means doing without. This is a difficult barrier to overcome because future patterns of energy use will involve some behavioral changes, depending on

individual choice (for example, lower winter temperatures in buildings and use of smaller cars), that are less comfortable than historical behaviors. However, these conservation practices may be desirable and necessary in a world with expensive energy resources.

Uncertainty. Decisions about the future are always complicated by uncertainty, and this is particularly true for energy decisions because of changes in fuel prices and availabilities. Decision-makers are likely to underinvest when faced with great uncertainty over future fuel prices, related government policies, and the costs and performance of energy conservation measures.[42]

3. THE ROLE OF GOVERNMENT IN IMPROVING ENERGY EFFICIENCY

Government actions are needed to overcome the barriers discussed earlier and speed the transition to an era of higher energy efficiency. These government actions can take a variety of forms:

Fuel pricing policies and practices
Information and education
Energy efficiency standards and regulations
Financial incentives for energy-efficient systems
Research, development, and demonstration
Contingency planning
Example setting.

Prices. The most important policy that the Federal government can employ to encourage greater energy efficiency concerns fuel pricing.[9,30] Historical policies continue to keep fuel prices below replacement costs. For example, the average residential price of natural gas in Minnesota was about $3 per million Btu in late 1979. However, the price of gas imported from Canada was more than 50% higher. Because households pay the average price and not the marginal price, they underinvest in conservation measures. The same is true for electricity users, who generally pay average rather than marginal costs.

The 1978 National Energy Act began the process of deregulating natural gas prices and modifying electric utility rate structures.[27,28] The President's order to decontrol oil prices will also help align fuel prices with fuel costs.[26] However, even with these actions, fuel prices will still not reflect their full social costs. The foreign policy and national security implications of continued dependence on OPEC oil and the adverse environmental effects of energy production and conversion are not yet part of the direct price that consumers pay for fuels.

Information. Considerable government attention is devoted to dissemination of information related to energy conservation options (e.g., the Energy Extension Service and the State Energy Conservation Program). Workshops, onsite audits, seminars, telephone hotlines, movies, filmstrips, and publications are used to inform consumers about their energy-related choices (Exhibit 6). These activities provide reliable information on the costs and performance of conservation alternatives that is credible to decision-makers in each sector.

Government information and education programs generally yield substantial benefits. Federal sponsorship of such activities can eliminate the need for hundreds of fuel suppliers, state energy offices, other government agencies, and private firms to develop their own ad hoc information programs. This economy of scale also allows the federal government to provide relevant technical assistance to support these information programs (Exhibit 7).

Federal legislation requires that all new cars have labels showing their fuel economy rating. Most residential appliances also have energy efficiency labels. To the extent that conservation actions are inhibited by lack of information, these labels should influence conservation investments.

The national district heating program offers small grants and technical assistance to cities to identify and assess potential energy conservation projects. This is an effective and well-received technique for transferring research results to municipalities.[43]

Exhibit 6

DOE'S LOW COST/NO COST ENERGY CONSERVATION PROGRAM

The Low Cost/No Cost Program was developed by the Department of Energy to inform households in New England about 11 inexpensive actions they could take to cut their home energy bills. The program was aimed at the six New England states-- Massachusetts, Vermont, Connecticut, Rhode Island, Maine, New Hampshire-- because of the region's heavy dependence on foreign oil.

During November 1979, DOE mailed a water flow restrictor and a booklet describing the conservation measures to each of the 4.5 million households in New England. In addition, DOE sponsored an advertising campaign including television, radio, and print media. Finally, DOE arranged for public awareness activities including press conferences with New England governors, newspaper articles and editorials, and radio public affairs talk shows.

According to an evaluation conducted by Booz, Allen and Hamilton,[11] the program was a remarkable success. Telephone surveys with a sample of New England households and a control group of households in upstate New York showed that the program encouraged many New England households to adopt one or more of the 11 recommended measures. In particular, 29% of the New England households installed the water flow control device after the program began. By comparison, only 2% of the New York households installed such devices during this period. Similar positive (and statistically significant) results were also obtained for two other measures: checking for gaps around the fireplace and improving furnace efficiency.

Based on the savings for these three measures alone, DOE estimated a reduction in fuel bills for New England households of $69 million a year ($345 million over a five-year period). The estimated energy saving is equivalent to 2.6 million barrels of oil a year, of which more than 60% is a direct reduction in oil use. Roughly speaking, every dollar spent on this program yielded a saving of about $20 in reduced fuel bills.

COMPARISON OF REPORTED CONSERVATION ACTIONS OF HOUSEHOLDS IN NEW ENGLAND AND NEW YORK

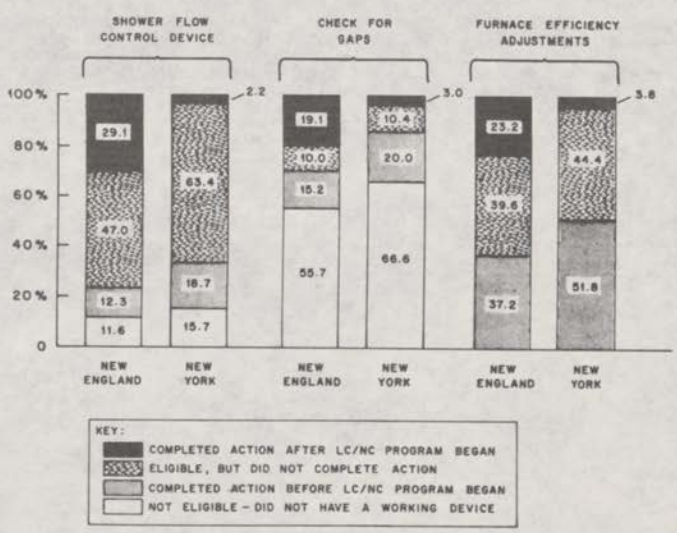


Exhibit 7

THE RCS MODEL ENERGY AUDIT: AN EXAMPLE OF EFFECTIVE TECHNICAL ASSISTANCE

A model residential energy audit inspection and calculation procedure,[44] plus instruction materials to train auditors,[45] were developed by DOE for the Residential Conservation Service. The RCS, part of the National Energy Conservation Policy Act,[34] requires large utilities to provide energy audits to their customers. There are no other audit procedures or training materials in the public domain that are appropriate for use in the RCS.

The model audit is a technical assistance aid that can be voluntarily used in whole or part by any state, utility, or consulting firm. The audit provides a benchmark that privately developed procedures can be measured against, and demonstrates the feasibility of providing detailed energy saving estimates with a low-cost procedure.

The model audit was developed to meet requirements of simplicity, cost-effectiveness, and technical accuracy. The procedure is self-contained and can be effectively used without computers or instrumentation. This is important to small utilities with limited resources. The procedure can be mastered by a high school graduate, but two years of post-high school education is preferred. Approximately three weeks of special training is required.

The audit materials are sufficiently flexible that individual utilities can adapt it to their special needs. For example, some utilities have good conservation programs that do not cover all the RCS program measures. These utilities have been able to retain their existing audit procedures and adapt the model audit to cover the program measures that are new to them. Large utilities with extensive computer capability prefer to computerize their audit calculations; many of them computerized the RCS model audit.

The model materials were extensively tested by cooperating utilities across the country. The testing program revealed some minor errors that were corrected, but generally validated the accuracy and workability of the model audit in all sections of the country.

The model audit represents an enormous economy of scale. A procedure useful anywhere in the country was developed by DOE. Hundreds of utilities are including the procedure in whole or part in their RCS implementation. Had this technical assistance not been available, many utilities would have hired consulting firms to develop ad hoc audit procedures, substantially increasing the total cost of the program.

Efficiency standards. The federal government is implementing minimum efficiency standards for various energy-using systems. Such standards are needed in exceptional cases where chronic market failures occur. Standards are now in place (as part of the 1975 Energy Policy and Conservation Act) for new-car fuel economy (Exhibit 8).[46] The standards require that each manufacturer reach minimum corporate averages of 27.5 mi/gal in 1985, compared to 14 mi/gal in 1973.

Other standards deal with thermal performance of new buildings (both residential and nonresidential) and energy efficiency of new residential appliances. The California Energy Commission estimated that their appliance efficiency standards will cut fuel bills for California consumers by $250 million in 1985.[47,48] These standards are particularly important because so many of the decisions on which heating systems and appliances to install are made by builders and not by building occupants.[49]

In addition to the direct consumer benefits of lower operating costs, these standards can reduce the adverse economic and employment effects of foreign competition. Ensuring that domestic equipment and appliances incorporate technical improvements to save energy makes them more competitive with imports.[50] Because the standards are "performance" rather than "prescriptive," they encourage innovation and competition.

Financial incentives. Financial incentives are needed where the market responds slowly or where market responses are biased against energy efficiency because prices are below the social costs of energy

Exhibit 8

FEDERAL ENERGY-EFFICIENCY STANDARDS: NEW CAR FUEL ECONOMY

Between 1978 and 1979 and again between 1979 and 1980, U.S. gasoline consumption declined.[18] These declines were due to a combination of higher gasoline prices, shortages during the summer of 1979, and a single government program-- the Corporate Average Fuel Economy (CAFE) standards. The CAFE standards were established by the 1975 Energy Policy and Conservation Act. The standards began at 18 mpg in 1978 and increase to 27.5 mpg in 1985.

A recent econometric analysis estimated the energy-saving impact of the CAFE standards.[51] The major assumption in this analysis is that the domestic auto manufacturers would not have raised average fuel economy of new cars beyond the 1977 level until 1982. This assumption is supported by the relative price stability (indeed some declines in price) for gasoline after the 1973 oil embargo, consumer demand during that time for large cars, and published statements of auto manufacturer representatives.[52]

The analysis shows that the CAFE standards reduced gasoline consumption by 45 thousand bbl/day in 1978, 130 thousand bbl/day in 1979, and 230 thousand bbl/day in 1980. (These savings are roughly half the reductions in oil imports from Iran for 1979 and 1980.)

In addition to the direct economic benefits to automobile purchasers and users, society as a whole benefits. Reduced oil consumption is translated into lower oil imports, which has obvious benefits in terms of foreign policy and balance-of-payments. If the social oil import premium is $10/bbl, then the value to society of the 1980 savings alone equals about $840 million.

These results suggest that the government standards created a stable environment in which the auto manufacturers could operate. Without that stability, the volatility of gasoline prices and gasoline availability during the past several years would have led to increased U.S. oil consumption, greater reliance on oil imports, additional balance-of-payments deficits, and even greater competition from foreign automobile manufacturers.

(Exhibit 9). The 1978 Energy Tax Act created a 15% federal income tax credit for home energy conservation expenditures and a 10% tax credit for business conservation investments. The federal government also has a weatherization assistance program, which provides energy audits and retrofit services for homes occupied by low-income households. The 1978 National Energy Conservation Policy Act created a grants program to conduct audits and retrofit institutional buildings such as schools and hospitals, buildings owned by local governments, and public care institutions.[34] The authorization for this program included $900 million of federal funds to be matched 50:50 by state and local contributions (Exhibit 3).

Research. In addition to these programs aimed at improving energy efficiency in the short-term, the federal government sponsors a variety of research programs to produce long-term improvements in energy-using systems.[54] This research focuses on options that are risky and have large potential national benefits. These include basic research on combustion and materials to improve industrial processes, advanced automotive engines, and the thermal performance of various building materials. Such fundamental research on problems related to energy conservation can provide valuable knowledge on which improved product and system design can be based. This research ensures that new energy conservation opportunities will continue to develop (i.e., that conservation is not a "one-shot" venture).

In addition, the federal government sponsors (and cofunds with industry) applied research projects. These are designed to test and

Exhibit 9

TVA'S HOME INSULATION PROGRAM

The Tennessee Valley Authority (TVA) began its Home Insulation Program (HIP) in 1977.[53] The program provides free onsite inspections of residential dwellings and no-interest loans to finance approved weatherization measures; the loan is repaid on a monthly basis through the customer's electric bill. After weatherization measures are installed (either by an approved contractor or by the household), the TVA energy advisor inspects the work to make sure that it meets TVA's specifications.

An independent evaluation of the HIP was conducted in 1980.[13] The evaluation team obtained monthly electricity consumption records for a sample of homes that participated in the initial phase of the program. These households had all obtained loans to install attic insulation in their homes. Electricity use data were available for each home from October 1976 through May 1979, a period long enough to provide a full heating season before retrofit plus a full heating season after retrofit. In addition, data were collected on heating and cooling degree days for each utility district.

These data were used in a detailed statistical analysis. The results of that analysis demonstrated that participating households cut their electricity consumption for space heating by an average of 2200 kWh, a 20% reduction. Use of electricty for air conditioning was cut by an average of 500 kWh, a 15% reduction. Thus, the typical participating household cut consumption by about 2700 kWh because of the TVA program. The average investment (about $300 per participant) is repaid within four years through reduced electricity bills. As electricity prices continue to rise, this payback period gets shorter and shorter.

Based on this evaluation, TVA estimates that the HIP will save 2.5 billion kWh in 1987 and defer the need for more than 1000 MW of new power plants.[53] From the perspective of TVA and its ratepayers in general, the HIP is an attractive program because the cost of conserved electricity is only about half the cost of constructing new power plants. Thus, the program will help TVA hold down electricity rates for all its customers.

These very positive results suggest that the home energy services now offered by utilities throughout the country, as part of the federal Residential Conservation Service, will yield benefits both to program participants and to society in general. Participants receive services that help them cut their fuel bills. Society (utility ratepayers in this case) benefits because the cost of conserved energy is less than the cost of increasing supplies (e.g., new power plants).

demonstrate new and emerging technologies, and to reduce uncertainties over cost and performance that inhibit commercialization. Such research includes work on efficient residential appliances and heating equipment, improved insulating materials for building and industrial applications, diagnostic equipment to measure heat losses from buildings, alternative automobile engines, and heat recovery and cogeneration equipment for industrial plants (Exhibits 10 and 11).[55-61]

Many industrial R&D projects are likely to yield direct benefits to the federal treasury in terms of increased tax revenues.[62] This occurs because fuel bill reductions increase corporate income taxes. For example, the DOE project on ceramic waste heat recuperators is estimated to cut industrial energy use by 60 trillion Btu in 1985. The reduction in annual fuel costs of $360 million will increase tax revenues by $144 million a year. By comparison, the total federal cost of this project was less than $3 million.[63]

Government research provides a hedge against the uncertainties of future increases in fuel prices (Exhibits 11 and 12), against increased competition from foreign manufacturers, and against uncertainties over R&D activities of private companies. Such research is particularly effective when it is cost-shared with private firms that might ultimately manufacture and market the improved technologies (Exhibit 10).

Not all research is devoted to development of new technologies. Considerable effort is aimed at developing improved systems (for example, better use of daylight for lighting within buildings and

Exhibit 10

HEAT PUMP WATER HEATERS: A NEW TECHNOLOGY

The Department of Energy sponsors and cost-shares a variety of R&D projects related to high-efficiency technologies. These projects are designed to improve performance of energy-using systems, lower their initial costs, and reduce uncertainties about both costs and performance for manufacturers and consumers.

The heat pump water heater is a new technology developed by private industry with government funds.[55] The system reduces the amount of electricity needed for water heating by up to one-half. The extra cost relative to a conventional electric water heater is about $600, which is repaid in one to four years (depending on hot water use and local electricity prices). The system is basically a room air conditioner with a conventional hot water storage tank. The unit extracts heat from the surrounding air and "pumps" it into the hot water.

As a direct result of a competitive procurement issued by DOE, about $700 thousand were spent on development and testing of the heat pump water heater during the past four years. In addition to extensive laboratory tests, DOE is field-testing 100 units in cooperation with 20 electric utilities throughout the country.[56]

The information obtained from these laboratory tests and field demonstrations was sufficient to induce four companies to produce and market heat pump water heaters. Fedders, a major manufacturer of refrigeration equipment, publicly stated that their decision to enter the heat pump water heater market was due primarily to the published results of DOE efforts to reduce uncertainties about this new technology.

The units are likely to be widely accepted by consumers because of their relatively low cost (e.g., they save about as much energy as do solar water heaters at one-third the installed cost), rapid payback, and compatibility with existing systems. The heat pump sits on top of the conventional water heater; therefore the entire unit takes up no more floorspace (and requires no additional wiring or plumbing) than does a conventional electric water heater.

Exhibit 11

INDUSTRIAL LOW-TEMPERATURE HEAT UTILIZATION: AN EXAMPLE OF GENERIC ENERGY CONSERVATION RESEARCH APPROPRIATE FOR GOVERNMENT SUPPORT

Almost all the energy used by industry eventually is dissipated to the atmosphere at temperatures too low for current economic recovery. Depending on the particular industry, the effluent temperature can range from several hundred degrees down to just a few degrees warmer than ambient air. There are two ways to use this low-temperature heat. One is to transport a working fluid carrying the heat from where it is released to another location where it can be used. The other is to raise the temperature of the working fluid to a more useful level with a "heat pump."

The quantity of energy represented by this low-temperature heat is enormous - enough to heat all the buildings in the U.S. if it could be effectively used. The problems of utilization, however, are not trivial: users must be matched with suppliers, large capital investments are required for the recovery and transmission equipment, economics depend on long-term fuel costs and on the cost and performance of the equipment.

Development of systems to use this waste heat efficiently and economically requires long-term commitments to research in materials, mechanical fabrication, systems integration, and financing mechanisms. Because these systems cut across many industries and a variety of potential users, such research does not have a logical and identifiable non-government sponsor. Because the economics are unattractive in the short-term, little privately sponsored research is in process. However, such research will become profitable as fuel prices continue to increase. Also, the social benefits from reducing growth in demand for high-cost incremental fuels (e.g., imported oil and gas, synfuels) enhance the value of such research. This is an area of high potential but high risk R&D where government sponsorship is warranted.

DOE is actively supporting R&D of the type discussed.[57,62] One such example is the Open Cycle Vapor Compression Heat Pump. This device will convert water at 150°F into steam at 250°F at the rate of 25,000 pounds per hour. Conventionally, this steam production would require combustion of 35 million Btu per hour of fossil fuel in an industrial boiler. With the heat pump, only 10 million Btu of electrical energy will be required to produce the steam. Until average fossil fuel prices increase to current replacement costs and until volume production cost levels are achieved, this heat pump will be uneconomical. Thus, there is presently no private incentive for its development. However, the potential energy savings from successful development of this device would displace high-cost marginal fuels such as imported oil and therefore would be attractive from a national viewpoint.

Exhibit 12

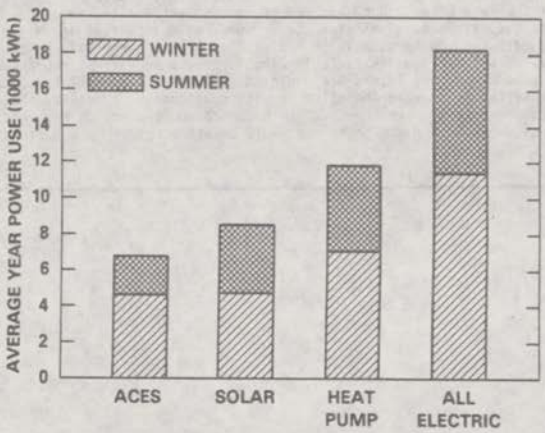
THE ANNUAL CYCLE ENERGY SYSTEM: FEDERAL R&D AS AN INSURANCE POLICY

The Annual Cycle Energy System (ACES) has been under development by DOE since 1975.[58] ACES provides space heating, air conditioning, and water heating for residences and commercial buildings. An electric heat pump extracts energy from water stored in an underground tank during the winter. As energy is extracted, the water freezes, the stored ice provides summer air conditioning. Thus, the system yields the energy efficiency of heat pumps plus the inter-seasonal storage of the underground water/ice tank.

ACES yields two important benefits. First, it uses much less energy for heating, water heating, and air conditioning than do conventional systems. For example, field tests near Knoxville, Tennessee showed that the house with ACES used 60% less energy than a conventional all-electric house, 40% less than a house with a conventional heat pump, and 20% less than a solar-heated house. Second, the energy storage capacity of the water/ice tank substantially reduces peak demands for electric utilities in both winter and summer. In particular, ice for air conditioning can be made and stored at night (during off-peak periods) during the summer.

However, ACES is exceeded only by active solar systems in the initial costs for procurement and installation. Because of its large energy savings, ACES operating costs are low and over the lifetime of the system ACES may be economically competitive with conventional alternatives at electricity prices higher than about 5 ¢/kWh. Because most homeowners are strongly influenced by initial purchase price, ACES is not likely to be widely installed under present conditions. As additional DOE research reduces the initial cost of ACES, as electricity prices increase, and as electricity rate structures more closely reflect electricity costs (in particular time-of-day rates), ACES will become increasingly attractive.

Therefore, DOE's investment in ACES can be viewed as an insurance policy. Under present economic conditions, ACES will not save much money; therefore, private firms are unlikely to invest in the R&D needed to develop ACES. However, when prices increase and rate structures are modified, ACES will be readily available for "off-the-shelf" adoption by private builders. At that time, the very high-efficiency characteristics of ACES will be quite important.



ENERGY USE BY FOUR SYSTEMS IN 1800 ft² KNOXVILLE HOUSE

passive solar designs for new homes) and at better understanding of how consumers make energy-related decisions.

Contingency planning. Only government can take the lead in developing plans to cope with major supply disruptions (e.g., programs to ensure massive implementation of low-cost but under-adopted conservation measures in a crisis). Government plans also involve ways to reduce the likelihood of such disruptions.[64] In response to the 1979 Emergency Energy Conservation Act, DOE is providing technical assistance to state energy offices to help them develop state plans to cope with energy emergencies.[65]

Example setting. There is considerable symbolic value to government actions. Our government demonstrates what is important to the nation by what it does. Thus, programs to improve the energy efficiency of government operations (e.g., the Federal Energy Management Program[66]) have value far beyond their direct energy and dollar savings.

Combined benefits of DOE conservation programs. A recent study estimated the likely energy savings of the current DOE energy conservation programs[3] (see also Exhibit 13). As shown in the table below, these programs are estimated to reduce annual energy use by 2.7 Quads in 1985 and 13.3 Quads in 2000. It is important to note that these energy savings are in addition to those that will occur through the normal operations of the market system. The estimated oil savings amount to 300 thousand bbl/day in 1985 and almost three million bbl/day in 2000. The incremental social value (at $10/bbl) of the 1985 savings due to DOE

Exhibit 13

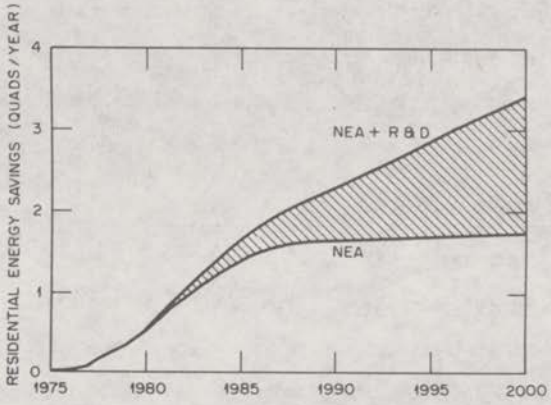
ESTIMATED BENEFITS OF GOVERNMENT PROGRAMS: THE RESIDENTIAL SECTOR

The federal government has several programs underway to improve efficiency of energy use in the nation's homes. These include the Energy Extension Service, State Energy Conservaton Program, Residential Conservation Service, Low-Income Weatherization Assistance Program, appliance efficiency labels, Residential Energy Conservation Tax Credit, proposed buildings energy performance standards, proposed appliance efficiency performance standards, and many R&D projects designed to spur commercialization of improved technologies for new construction, appliances, and equipment and for retrofit of existing homes.

The graph below, based on computer analysis at Oak Ridge National Laboratory,[5,67] shows how the energy savings - due to government regulations, financial incentives, and information programs; and to government development of new technologies -increase over time. Energy savings from government programs increase rapidly through the early 1980's and then only slightly from 1985 to 2000. Research benefits, on the other hand, grow slowly at first, but then in the 1990's grow much more rapidly.

The energy savings shown also yield large economic benefits to households. Between now and the year 2000, fuel bills are reduced because of these government activities by about $41 billion. On the other hand, the higher cost of more efficient equipment and structures amounts to $22 billion. Thus, the net benefit to households is $19 billion, with an overall benefit/cost ratio of almost two. The nation saves energy and consumers save money.

In addition to these direct benefits, society also gains additional employment.[68] Although jobs are lost in the energy supply industries; additional jobs become available in the construction industries, in equipment and appliance manufacture, and in the economy as a whole as a result of the respending effect (i.e., the money saved by households due to these conservation programs is spent on other goods and services, which increases employment). Annual increases in employment reach a few hundred thousand jobs per year by the end of the century because of these programs.



Estimated energy savings in the residential sector due to implementation of federal conservation programs (the National Energy Act, NEA) and government development of new technologies.

programs is more than $1 billion. The present worth (at a real interest rate of 3%) of the oil savings between 1981 and 2000 for these conservation programs is $50 billion. This economic benefit is in addition to the savings achieved by energy consumers themselves (about $400 billion between 1980 and 2000[3]). It is a lower limit on the incremental social benefit of these programs because it includes only the value of oil use reductions.

Expected impacts of current DOE conservation programs on energy and oil savings (Quads)[a]

	Energy Savings		Oil Savings	
	1985	2000	1985	2000
Residential/commercial	1.4	4.7	0.2	0.4
Industrial	1.0	5.7	0.1	1.3
Transportation	0.2	1.5	0.2	2.8
Utilities	0.0	0.0	0.1	0.1
Cross-Sectoral[b]	0.1	1.4	0.1	0.7
Aggregate Savings	2.7	13.3	0.7	5.3

[a] These incremental impacts are measured with respect to baseline energy use projections (86 Quads in 1985 and 107 Quads in 2000) which reflect existing legislation as of January 1980 (e.g., tax credits, corporate average fuel economy standards, phased decontrol of oil, and phased deregulation of natural gas).

[b] The savings shown are associated only with the Community Systems and Energy Storage Programs. No estimates have been calculated for the following programs: Municipal Waste, Non-Utility Storage, Energy Extension Service, State Energy Conservation Program, Appropriate Technology, Energy Conversion and Utilization Technology, Energy Related Inventions Program.

4. CONCLUSIONS

Many options exist to sharply reduce energy use in all sectors of the U.S. economy. These options are of two kinds: technical improvements to equipment, structures, and transportation vehicles; and operational changes for existing systems. The first generally involves an increase in the capital cost of the system. Fortunately, the reduction in annual fuel bills because of higher efficiency will generally repay this investment within a few years.

The operational changes associated with improved energy efficiency are usually minor with respect to lifestyle changes. They involve small changes in temperature settings for space heating and air conditioning systems in buildings, greater attention to operation and maintenance practices in industrial operations, and more human ingenuity in general. These small changes often yield surprisingly large energy and dollar savings.

To a large extent, conservation actions will occur through the normal workings of the marketplace, spurred by recent and likely future increases in fuel prices. However, a number of obstacles to an energy-efficient society exist; therefore, government programs are needed to ensure that the essential benefits of energy conservation are achieved. Evaluations of a few government conservation programs and analyses of likely future effects of these programs suggest that they are having, and will continue to have, substantial benefits related to energy conservation, the costs of energy services, and oil imports.

Although the ideas discussed and the examples given in this paper represent the state-of-the-art in energy analysis, there is considerable uncertainty over the precise value of government conservation programs. For example, if fuel prices rise even faster than assumed in these analyses, energy consumers will voluntarily take additional steps to increase energy efficiency. This will reduce the energy savings due to government programs, but it will only slightly affect their dollar benefits. Thus, the need for and value of government programs may not be particularly sensitive to changes in future fuel prices.

Another way to view these government programs is as a "hedge" against uncertainty. The future course of fuel prices, OPEC actions, discoveries of additional oil and gas, and performance and cost of emerging energy technologies are all uncertain. Investing in conservation - through outreach, financial incentives, standards, regulations, and research and development - represents an important national insurance policy, one whose premiums are small and whose payoff is likely to be quite large.

All this suggests that improved efficiency of energy use can - and will - play a major role in resolving our nation's energy problems. Energy conservation saves energy and money, reduces the amount of pollution generated, reduces oil imports and our dependence on foreign sources, and buys time during which to develop alternative sources of energy that are environmentally benign, abundant, and socially acceptable. No small accomplishment!

ACKNOWLEDGMENTS

ORNL has had an active program of energy conservation research and analysis since 1970. Much of the ORNL work deals with evaluation of past government programs and estimates of the likely future impacts of these programs. We appreciate the assistance from the following ORNL staff who provided us with relevant material on this research: H. Arnold, R. Barnes, J. Blue, K. Corum, G. Courville, V. Haynes, R. Johnson, G. Kamp, G. Kulp, T. Lundy, R. Minturn, W. Mixon, M. Olszewski, S. Parikh, A. Schaffhauser, J. Thomlinson, and R. Wendt. We also thank M. Chiogioji, J. Cuttica, A. Evans, D. Goldstein, T. Graff, L. Moss, M. Power, D. Rose, and A. Rosenfeld for their helpful comments on a draft of this paper. Finally, we thank Betty Wood for her exceptional typing.

REFERENCES

1. A. H. Rosenfeld et al., Energy-Efficient Buildings, Technical Potentials and Policy Recommendations for Conservation and Renewable Resources, Brickhouse Press, forthcoming.

2. Solar Energy Research Institute, SERI Solar/Conservation Study, draft, October 1980.

3. S. C. Parikh, coordinator, Energy Saving Impacts of DOE's Conservation and Solar Programs, Oak Ridge National Laboratory, ORNL/TM-7690, forthcoming.

4. J. R. Jackson, Energy Use and Conservation in the Commercial Sector: An Econometric/Engineering Analysis, Oak Ridge National Laboratory, ORNL/CON-30, January 1979.

5. E. Hirst and J. Carney, "The ORNL Residential Energy-Use Model," Land Economics, 55(3), August 1979.

6. D. L. Greene, "State Differences in the Demand for Gasoline: An Econometric Analysis," Energy Systems and Policy, 3(2), 1979.

7. National Academy of Sciences, Alternative Energy Demand Futures to 2010, Report of the Demand and Conservation Panel to the Committee on Nuclear and Alternative Energy Systems, 1979.

8. R. Stobaugh and D. Yergin, Energy Future, Report of the Energy Project at the Harvard Business School, Random House, 1979.

9. H. H. Landsberg et al., Energy: The Next Twenty Years, a report sponsored by the Ford Foundation, Ballinger Publishing Co., 1979.

10. Office of Policy and Evaluation, Low Energy Futures for the United States, U.S. Department of Energy, June 1980.

11. U. S. Department of Energy, The Low Cost/No Cost Energy Conservation Program in New England, An Evaluation, DOE/CS/21366-01, July 1980.

12. Office of State and Local Programs, Evaluation of the Energy Extension Service Pilot Program, U. S. Department of Energy, DOE/CS-0074, March 1979.

13. D. G. Ozenne and R. A. F. Reisner, The TVA Home Insulation Program: An Evaluation of Early Program Impact, ICF, Inc., prepared for the Tennessee Valley Authority, April 1980.

14. E. Hirst, "Evaluating Energy Conservation Outreach Programs: A Case Study in Minnesota," Energy, 5(12), December 1980.

15. Office of Environmental Engineering and Technology, Review of the Department of Energy's Conservation and Solar Energy Programs, U.S. Enviromental Protection Agency, EPA-600/7-81-001, January 1981.

16. Energy Information Administration, Monthly Energy Review, U. S. Department of Energy, DOE/EIA-0035(81/01), January 1981.

17. Energy Information Administration, Annual Report to Congress 1979, Volume Two Data, U.S. Department of Energy, DOE/EIA-0173(79)/2, 1980.

18. G. Kulp et al., Transportation Energy Conservation Data Book: Edition 4, Oak Ridge National Laboratory, ORNL-5654, September 1980.

19. J. L. Blue et al., Buildings Energy Use Data Book, Edition 2, Oak Ridge National Laboratory, ORNL-5552, December 1979.

20. R. W. Sant, The Least-Cost Energy Strategy, Minimizing Consumer Costs Through Competition, The Energy Productivity Center, 1979.

21. R. W. Sant, "Least-Cost Energy Strategies," Conference Proceedings, Utilities and Energy Efficiency; New Opportunities and Risks, Port Chester, New York, U.S. Department of Energy, Conf-08010146, January 1981.

22. C. Blumstein et al., "Overcoming Social and Institutional Barriers to Energy Conservation," Energy, 5(4), April 1980.

23. Energy Modeling Forum, Aggregate Elasticity of Energy Demand, EMF Report 4, Volume 1, Stanford University, August 1980.

24. S. M. Cohn, "Fuel Choice and Aggregate Energy Demand in the Residential and Commercial Sectors," Energy, 5(12), December 1980.

25. R. H. Bezdek and B. W. Cone, "Federal Incentives for Energy Development," Energy, 5(5), May 1980.

26. Presidential Documents, "Decontrol of Crude Oil and Refined Petroleum Products," Executive Order 12287, Federal Register, 46(20), January 30, 1981.

27. 95th Congress, Natural Gas Policy Act of 1978, PL 95-621, November 9, 1978.

28. 95th Congress, Public Utilities Regulatory Policies Act of 1978, PL 95-617, November 9, 1978.

29. J. P. Acton and B. M. Mitchell, Do Time-Of-Use Rates Change Load Curves?, Rand Corporation, R-2588-DWP/EPRI, May 1980.

30. P. R. Merrill, The Regulation and Deregulation of Natural Gas in the U.S. (1938 - 1985), Energy and Environmental Policy Center, Harvard University, E-80-13, January 1981.

31. L. S. Hiraoka, "The Impact of the Iranian Shortfall in the U.S.A.," Energy Policy, 8(2), June 1980.

32. Joint Economic Committee, Energy Conservation: Emerging Consensus, Diverging Commitment, U. S. Congress, December 1980.

33. J. Stelson, Energy-Use Data for Audited Hospitals, Oak Ridge Associated Universities, February 1981.

34. 95th Congress, National Energy Conservation Policy Act, PL 95-619, November 9, 1978.

35. Institutional Conservation Program, Summary of Reports by States of Preliminary Energy Audits and Energy Audits, U.S. Department of Energy, September 1980.

36. Energy Information Administration, Residential Energy Consumption Survey: Conservation, U.S. Department of Energy, DOE/EIA-0207/3, February 1980.

37. E. Hirst, R. Goeltz, and J. Carney, Residential Energy Use and Conservation Actions: Analysis of Disaggregate Household Data, Oak Ridge National Laboratory, ORNL/CON-68, March 1981.

38. D. O'Neal, K. Corum, and J. Jones, An Estimate of Consumer Discount Rates Implicit in Single-Family Housing Construction Practices, Oak Ridge National Laboratory, ORNL/CON-62, forthcoming.

39. National Association of Home Builders Research Foundation, Thermal Characteristics of Single-Family Detached, Single-Family Attached, Low-Rise Multifamily, and Mobile Homes, October 1977.

40. Energy Information Administration, Residential Energy Consumption Survey: Characteristics of the Housing Stock and Households, 1978, U. S. Department of Energy, DOE/EIA-0207/2, February 1980.

41. Energy Modeling Forum, Energy and the Economy, EMF Report 1, Stanford University, 1978.

42. P. P. Craig, M. D. Levine, and J. Mass, "Uncertainty - An Argument for More Stringent Energy Conservation," Energy, 5(10), October 1980.

43. M. A. Karnitz et al., District Heating/Cogeneration Application Studies for the Minneapolis-St. Paul Area, Oak Ridge National Laboratory, ORNL/TM-6830, July 1979.

44. U.S. Department of Energy, Residential Conservation Service Model Audit, February 1980.

45. U.S. Department of Energy, Residential Conservation Service Auditor Training Manual, August 1980.

46. C. Difiglio, R. Dulla, and K. G. Duleep, Cost-Effectiveness of 1985 Automobile Fuel Economy Standards, Annual Meeting of the Society of Automotive Engineers, Houston, Texas, October 1979.

47. California Energy Commission, 1981 Biennial Report, Energy Tomorrow: Challenges and Opportunities for California, January 1981.

48. S. Burger, Testimony before the U.S. House of Representatives Subcommittee on Conservation and Power, California Energy Commission, February 27, 1981.

49. J. A. Quelch, "Energy Conservation Policies for Builders' Purchases of Domestic Appliances," Energy Policy, 8(2), June 1980.

50. Energy Conservation Digest, 4(6), "Firms Back Conservation Technology," March 16, 1981.

51. D. L. Greene et al., ORNL Highway Gasoline Demand Model Documentation, Oak Ridge National Laboratory, draft, 1980.

52. Automotive News, several issues in 1978, 1979, and 1980.

53. Division of Energy Conservation and Rates, Program Summary, Tennessee Valley Authority, October 1980.

54. M. Chiogioji, Industrial Energy Conservation, Marcel Dekker, New York, New York, 1979.

55. Energy Utilization Systems, Inc., Research and Development of a Heat-Pump Water Heater, prepared for the Oak Ridge National Laboratory, ORNL/Sub-7321/1, August 1978.

56. Energy Utilization Systems, Inc., Demonstration of a Heat-Pump Water Heater, prepared for the Oak Ridge National Laboratory, ORNL/Sub-7321/3, December 1979.

57. U. S. Department of Energy, Industrial Energy Conservation Program Reference Manual, undated.

58. R. E. Minturn et al., ACES 1979 Capabilities and Potential, Oak Ridge National Laboratory, ORNL/CON-48, June 1980.

59. A. D. Vasilakis, J. F. Pearson, and J. Gerstmann, Research and Development of a High-Efficiency Gas-Fired Water Heater, Advanced Mechanical Technology, Inc., prepared for the Oak Ridge National Laboratory, ORNL/Sub-7381, May 1980.

60. A. D. Little, Inc., Development of a High-Efficiency, Automatic Defrosting Refrigerator/Freezer, Phase 1 - Design and Development, prepared for the Oak Ridge National Laboratory, ORNL/Sub-7255/2, February 1980.

61. Oregon Department of Energy, A Field Study of Moisture Damage in Walls Insulated Without a Vapor Barrier, prepared for the Oak Ridge National Laboratory, ORNL/Sub-78/97726/1, May 1980.

62. Assistant Secretary for Conservation and Solar Energy, "Industrial Programs," Conservation and Solar Energy Program Summary Document FY 1982, Volume II, second draft, January 20, 1981.

63. D. Harvey, "Briefing for Secretary of Energy on Industrial Energy Conservation," March 9, 1981.

64. National Governors' Association, Comprehensive Energy Management: A Governor's Guide, March 1979.

65. N. E. Collins and J. M. Sorenson, Preliminary Considerations for State Energy Emergency Planning, Oak Ridge National Laboratory, January 1981.

66. U. S. Department of Energy, Federal Energy Management Program Plan, February 1980.

67. E. Hirst, "Effects of the National Energy Act on Energy Use and Economics in Residential and Commercial Buildings," Energy Systems and Policy, 3(2), 1979.

68. C. Ford and B. Hannon, "Labor and Net Energy Effects of Retrofitting Ceiling Insulation in Single-Family Homes," Energy Systems and Policy, 4(3), 1980.

TESTIMONY
Before the

Interior Subcommittee
of the
Appropriations Committee
of the
United States House of Representatives

Grant P. Thompson
The Conservation Foundation
Washington, D.C.
April 8, 1981

Good afternoon. My name is Grant P. Thompson. I am a Senior Associate at The Conservation Foundation, a not-for-profit research and public education organization located in Washington, D.C. The Foundation does not lobby, but, upon invitation, we share the results of our policy research with interested members of the public and with Congress. It is in that capacity that I am happy to appear in front of the Subcommittee today.

The topic I would like to address is the role of the federal government in improving the energy efficiency of the American economy and its components. At the Foundation, we have studied both the buildings sector and the energy conservation field generally. I have written on the subject in a book entitled Building to Save Energy, as a co-author of Energy and the Social Sciences and of Energy: The Next Twenty Years, and I am currently writing a book on the role that energy pricing can play in facing our energy problems. In addition, I serve as a member of the Department of Energy's Energy Research Advisory Board, where I am Vice-Chairman of the Energy Conservation Panel, and as a member of Secretary Edward's Energy Policy Task Force. It is this research and study that forms the basis of my conclusions today.

Energy conservation has been one of the dazzling success stories of the decade, simultaneously proving that economic theory is correct -- people do react to higher prices -- while saving the nation from the ever-increasing burden of oil imports. The figures demonstrating conservation's successes are now commonplace: gasoline consumption peaked in 1979 and started a downward trend that many believe will be permanent; industrial production rose twelve percent during the decade while industrial energy consumption declined more than fifteen percent; electricity growth rates moved sharply down from their historic rate of seven percent per year to less than one percent per year. To be sure, efficiency improvements were not the only reasons for these changes: a slowed economy may have accounted for about half of the industrial change, and curtailments or hardships explain at least a part of the savings in the other sectors. But the long term trend is clear. Even in the relatively short run Americans, once castigated as the world's most profligate energy users, have in fact become significantly more efficient in how they use energy in all forms.

By conservation, I mean investments and changes in behavior that promote economic efficiency in the use of inputs. The Ford Foundation sponsored study, Energy: The Next Twenty Years (Landsberg, ed., Cambridge, MA: Ballinger Publishing Co., 1979, p. 115) defined the term in a way I accept:

> We mean by conservation those energy-saving investments, operating decisions, and changes in the goods and services that we buy and use that save money over the life of energy-consuming products. Money can be saved by substituting intelligence, prudence, maintenance, better equipment, or different equipment

for purchased energy; the substitution should be made up to the point where the cost of not using the energy is equal to the cost of the energy saved.

The policy choices that face this country today in the energy field are puzzling indeed. We can accept this definition of conservation as being essentially an economic issue, but still be uncertain whether economic forces, acting alone, will be enough to bring about the desired results for the country as a whole. The overall thrust of the current Administration's energy policy is one that we applaud. The Foundation has long publicly stated that we believe there are benefits to the Nation and to us all that flow from letting consumers feel the full price of the energy they use. Only by letting prices rise to their replacement level can intelligent and economically efficient choices be made by all of us. We were early supporters of decontrol of oil prices, and we believe that similar actions for natural gas would benefit the nation. In improving energy efficiency, the role of rising energy prices is beyond question. No responsible analyst now believes that we could have saved as much energy as we have in the past decade if energy prices had remained at their historic low levels. Therefore, we believe that until the market begins to work in the energy sector, true conservation -- that is, energy efficiency improvements that pay for themselves in future costs avoided -- will be less than it should be.

But to embrace the "free market" theory of energy is not to exhaust the question. There are many places in which the market, working alone, cannot and will not bring forth the proper amount of energy conservation.

I hope the Committee will excuse me if I start with a short review of some basic economics. I do this because my observation has been that there is less understanding of the issues than the current public embrace of the "free market in energy" would suggest. We all recall from basic economics that for an economic system to be in tip-top shape -- efficient, smoothly operating, and bringing the most satisfaction to the most people -- several pre-conditions are necessary. Markets demand that there be many buyers and sellers, a free flow of information, and so on. When these conditions prevail, we have a system in which producers of a good are rewarded for production of just enough product, while consumers receive just as much as they are willing to pay for.

Recall further that even in the most classic economics text-books of any school -- Keynesian, Chicago, or otherwise -- there are many desirable goods or services that the market will not provide, even when it operates smoothly. For example, it has long been understood that research and development will be relatively underfunded if left to the market. Similarly, education and information services will be underfunded. The environment, worker health and safety, and aesthetics will be slighted by a purely market-driven system.

Finally, recall the most important pre-condition of a market system: that the buyers and the sellers "communicate" clearly and unambiguously with one another through the mechanism of the price the buyer offers and the sellers receives. If that price signal is muffled, distorted, or shifted, whether by monopoly behavior, regulation, price control, or otherwise, market

economics, with its undoubted benefits to individuals and to the country, is not operating. Instead, we have a non-market, non-price system in effect.

In my opinion, there has been great confusion in the newspapers and elsewhere about whether or not we have a market system in energy under the proposals of the present Administration. Let us look at some of the pre-conditions and see whether they exist.

Will decontrol and deregulation bring a market clearing price? Many appear to believe that the President's actions in speeding up the decontrol of crude oil together with the accelerated deregulation of natural gas that has been hinted at will solve the problem. But it is not so easy. To be sure, we are now beginning to approach something like a market determined price in oil. But in natural gas, even speeding up the deregulation schedule for new gas controlled under the Natural Gas Policy Act of 1978 would leave all of the old gas (some three-quarters of the volume expected to be flowing in pipelines in 1985) selling at 1978 prices. For natural gas, under most estimates, it will be into the decade of the 1990s before we really approach a market clearing price. In the meantime, we will have used almost fifteen years worth of time, time during which we could have been making conservation investments in the face of the true replacement costs of natural gas. Similarly, for electricity, nowhere in this country is it sold to all consumers at anywhere approaching its replacement cost. The effects of these prices set by non-market forces are not trivial. In the nation's homes, for example, natural gas and electricity account for the

vast majority of energy consumed. Thus, even under the Administration's decontrol and deregulation plans, one of the essential pre-conditions for a free market will not exist.

Will we have enough research and development? There are many sectors of the American economy where technological developments take place extremely quickly. Our computer industry and our telecommunications industry, for example, both devote high percentages of their revenues to research and development. They do not need government-sponsored R&D. But the housing industry is fragmented, under-capitalized, not the subject of intense study in dozens of major universities, and relatively cautious about innovations. Is it likely that the builders, suffering from years of recession and high interest rates can support the major research and development program that is needed if we are to build a nation of energy efficient homes, not a nation of silent gas-guzzlers? I think not. The commercial sector of our economy is characterized by millions of mom-and-pop stores, small offices, and backlot cottage industries hoping to become major industries someday. Are these struggling entrepreneurs likely to divert their attention and scarce resources away from what they know to the technical subject of energy conservation R&D in their industry? I think not. New office buildings are characteristically built "on speculation" with every party interested in reaping the advantages of quick, conventional construction to harvest the many cash flow and tax advantages that a successful commercial building can provide. Is this an industry that is likely to let its attention wander from the five year horizon of

76-703 0 - 81 - 27 (6b)

complex finance deals into the thirty year horizon of life-cycle cost accounting? I think not.

Thus it seems imperative that the federal government continue a high level of research and development activity in the energy field. I believe that the arguments for government involvement in the energy conservation side of the question are even more compelling than they are on the supply side. Conservation is not a monolithic solution to the energy problem; rather it is a diffused system of many small and medium scale contributions to greater efficiency. By the nature of the scale of these solutions, it is hard for single firms to capture the benefits of the research and development. Often these developments do not clearly return the reward to the single entrepreneur. Because of their scale, they are hard to obtain funding to accomplish. Consider for example the research that needs to take place in the buildings sector. Important parts of the conservation potential in buildings comes not from products but from improved designs of buildings, designs that take into account the heat flows within a building and the contribution that site planning and placement can make for passive heating and cooling. Yet such innovations cannot be protectd through the patent system. Nor is the government's beneficial effect on private R&D to be ignored. Consider, for example, DOE's success in stimulating research and product commercialization for the humble light bulb. The light bulb industry is heavily concentrated; DOE's work in supporting the development of the so-called LITEK high-efficiency light bulb hastened the commercial introduction of more efficient bulbs by manufacturers.

There is a great deal of hardware development work that must take place in energy conservation. Many people believe that building energy conservation is a one-time affair: "If we could only insulate all the buildings, then the work would be done, and we could turn our attention back to production." But of course this is not correct. As energy prices continue to rise, there will be increasing opportunity for new hardware developments to come forward to rebalance the costs between consumption and capital expenditure. We might cite a few examples to make this point clearer. At the present price of energy, it makes economic sense for most homeowners to add insulation. But as prices rise, adding even more insulation would make sense. Yet in existing homes at least, there are physical limits to the amount of material that can be inserted between the walls or above the ceiling. But if there were developed super-insulating materials or materials that could be added to the inside walls of houses, the opportunities for further energy savings would not stop with present technology.

Developments as unsuspected now as microwave ovens were twenty years ago may help save massive amounts of energy in the future. Although most of this development should and will go on in the private sector, there is room for at least some publicly supported conservation hardware research. If it makes sense to use hardware R&D to support nuclear, coal, and other supply-side options that produce energy at above the world price of oil, it certainly makes sense to support conservation hardware that may "produce" savings at far less than oil prices.

Of course, R&D for energy efficiency should be measured by the same strict standards that apply to R&D on the supply side. It should not be conducted when a private firm could do it instead. Private sector involvement should be heavy, and should include cost-sharing arrangments if possible. Government sponsorship should end well before the marketing phase, leaving that to the private sector that does it better.

Will consumers have enough information to react intelligently to the higher energy prices? Energy consumption is, we are coming to understand, a technical subject worthy of the attention and intelligence of the best minds in the country. Ten years ago, only a very few researchers considered it a subject worth study; the number of graduate students engaged in the study of energy efficiency improvements probably could easily have met in a small room. Today the situation has changed. National laboratories, including Lawrence Berkeley Laboratory and Oak Ridge National Laboratory have become centers of study; Princeton University hosts a first-rate group. These researchers are an ample demonstration that it takes hard work, time, and resources to discover what energy conservation strategies are best for each sector of our economy.

If Princeton and University of California professors find energy consumption patterns and heat flows in the American home puzzling and sometimes unexplainable, think how much harder it is for the small businessman or the homeowner to know what to do to react to higher energy prices. Even knowing what to do, it is not likely that he will know in what economic order he should undertake the improvements.

The market needs good information -- it is the very grease of a free market economy. Yet energy information is notoriously difficult to obtain, even with interested consumers with technical expertise. Consumers Reports and other non-governmental entities have a valuable role to play in providing energy information to consumers, but the individualized and specific information that consumers require in their major energy decisions simply cannot be supplied by a magazine. Nor can we trust the makers of specific brands of products to give consumers energy information in a form that is directly compatible to information given by other manufacturers. Instead, consumers frequently need detailed advice that speaks to them about what to do to make their own homes more weathertight, to make their own chosen lifestyle more energy efficient, and to make their own purchasing patterns more informed.

Unfortunately, the free market cannot provide such information reliably. Energy information is elusive, technical, and hard to quantify for the individual. Even when it can be calculated accurately by the consumer, comparing similar products requires that assumptions be made by the consumer that are realistic and consistent. And -- if the market operates alone -- it will always be in the interests of those manufacturers or builders whose products perform most poorly to obscure and confuse the information provided to consumers, a practice that confuses even more reliable or consistent information provided by other makers.

We have many examples of the beneficial effects of accurate, consistent information on consumer behavior. For example, the effect of the miles per gallon labels on automobiles has been impressive. Although far from accurate, consumers at least know that they provide a consistent basis for comparison. Likewise, the nicotine and "tar" labels on cigarettes permit smokers to make choices among the competing brands according to their own preferences.

Thus it is important that all of those programs that provide direct, relevant information to consumers be continued, and that the data gathering and research base that underlies an accurate presentation of information be continued as well. The appliance labels are one important energy example. Another important program -- one that is flawed, though worth doing right -- is the Residential Conservation Service, a system of providing consumers detailed coherent information concerning steps they can take to make their own homes more efficient.

To be sure, information programs should not escape a careful scrutiny to make certain that they are not poorly managed, duplicative of private efforts, or poorly targeted. There is much to criticize in the very design of the Residential Conservation Service, for example, where the statute that created the program directed it in directions that reduce its flexibility. But information programs have been shown to be so cost-effective, so facilitating of informed market behavior, and so inexpensive that it is surprising to see so many of them cut back in the proposed budget.

Enormous benefits for consumers have come from the buildings research conducted by DOE which has made possible the provision of accurate information for the first time. In the work that went into developing the BEPS, for example, was contained the basis of understanding that could lead to accurate, consistent "labels" for new homes, apartments, and commercial and industrial buildings. Cutting out the information and the base of new knowledge that lies beneath the program is an odd way to assist the market work.

Can the nation afford the lag time for the market to catch up in energy conservation? Over the next ten to fifteen years, energy conservation -- improved energy efficiency in end use -- is literally the only method this nation has to deal with the problems of increased oil imports or an embargo. Synthetic fuels will not be in major production during that period. Nuclear power plants will not be available during that period. Solar energy will not be anywhere near its potential during that period. Coal cannot be introduced into the economy in a significant fashion during that period. If we do not assist all of our energy sources we become increasingly vulnerable over the next decades. But of all the major energy sources, increasing efficiency is the single source that has the least economic problems and the most problems that only government action can address. Lack of first-rate research and development is not a problem of economics; it is a problem of the government's failure to act. Lack of reliable information is not a market failure, it is a problem caused by the government's inaction.

We face enormous capital expenditures in this nation over the next two to three decades as we "re-industrialize" our industry, our homes, and our offices to face the next century as a major economic power. Market pressures, even market pressures as blunt and inexact as those that would result from the Administration's program, will help push investments in the correct direction. As Congress examines the budget distribution of the Department of Energy, it needs to ask itself whether research and development money, resources for information programs, and support for initiatives that private enterprise cannot itself undertake are being intelligently directed in the budget that was submitted. I submit not. I submit that the market can take care of a number of programs that the Department proposes to support, while the very programs they are cutting are those that no market system can support.

In closing, I want to be clear that I do not believe that the Department of Energy's overall budget needs an increase over the figures proposed; instead, I believe it needs to be restructured.

Thank you.

Toward a Budget for a Market-Oriented Fuel Conservation Program

Robert H. Williams
Center for Energy and Environmental Studies
Princeton University
Princeton, New Jersey 08544

Testimony
before the
Interior Appropriations Subcommittee
of the
House Committee on Appropriations

April 8, 1981

Table of Contents

	Page
The Potential for Fuel Conservation	1
The Impacts of Rising Prices	3
Why the Invisible Hand is Moving So Slowly	5
The Level of Budget Required for Energy Conservation	7
The Need for Balance in the Overall DOE Budget	11
Appendix A: The Elements of a Market Oriented Fuel Conservation Policy	
Appendix B: "French breeder feels hard heel of economics" Electrical World, January 1981	

My name is Robert Williams. I am a Senior Research Physicist at Princeton University's Center for Energy and Environmental Studies. I have been an energy policy analyst for ten years and have been involved with a number of major studies assessing energy production and use. My work has covered energy conservation generally, industrial cogeneration, nuclear power policy, and solar energy.

I was chief scientist responsible for energy conservation analysis with the Ford Foundation's Energy Policy Project, the 1974 report of which was the first major study to identify the importance of energy conservation in energy policy. In 1977 I was coauthor with Prof. Marc Ross of the University of Michigan of a study for the Joint Economic Committee showing the overall potential for energy conservation in the U.S. economy. With colleagues at Princeton I participated from 1976 to 1979 in a Ford Foundation sponsored study of plutonium breeder reactor technology. And most recently I have participated in the SERI Energy Conservation/Solar Energy Study and I have coauthored with Marc Ross the book Our Energy: Regaining Control (McGraw-Hill, January 1981), setting forth a strategy for an energy conserving future in the U.S.

In my testimony I will restrict my remarks on energy conservation to opportunities for preserving or enhancing amenity through the more efficient utilization of energy resources which would result from minimizing lifecycle costs. Thus my remarks refer to saving home heating fuel by reducing heat losses and making furnaces more energy efficient - not by turning back thermostats in winter; to saving automotive fuel by spurring the shift to cars with higher fuel economy - not by restricting mobility; to saving industrial fuel by adopting more energy efficient processes - not by curtailing production.

The Potential for Fuel Conservation

In our new book Ross and I show that if energy conserving investments and energy

supply investments are given an evenhanded treatment in market decisions relating to energy, the resulting fuel savings would be far greater than most other analyses have indicated. The U.S. energy economy is so far out of economic equilibrium (largely because energy price increases have been so rapid and because of various institutional constraints) that we estimate energy demand could actually be reduced some 15% below the present level over the next 30 years, despite a doubling of GNP and the attendant improvement in amenities.

The realization of this potential would make our energy supply problem far more manageable; it would lead to great environmental benefits because it would be possible to avoid the most risky technologies; and it would generate substantial economic benefits, because for a long time to come it will be far cheaper to save a Btu through energy efficiency investments than to produce an extra Btu of energy supply.

The economic benefits of conservation can be illustrated by the concept of the "cost of saved energy." Suppose that a homeowner secures a home improvement loan to reduce the heat leaks from his house. The cost of saved energy is obtained by imagining that the term of the loan were the same as the expected life of the investment. Then the cost of saved energy is:

$$\frac{\text{the annual mortgage payment (principal + interest)}}{\text{annual energy savings}}$$

Some examples:

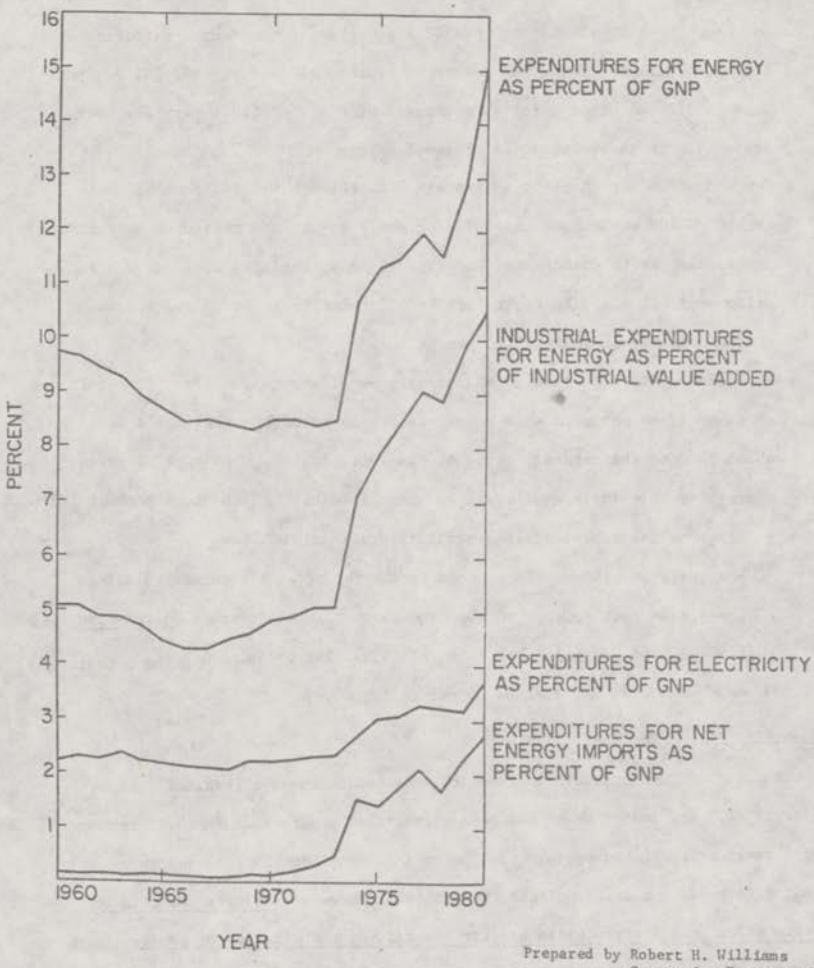
- For the "Bowman house" in Maryland retrofitted by the National Bureau of Standards an investment of $2840 in 1979 ($3380 in 1980 $) resulted in an annual oil savings 580 gallons (a 59% reduction), corresponding to a cost of saved energy of $0.60 a gallon (1980 $).[1] For comparison the average heating oil price in 1980 was $0.98 a gallon.

- An NBS program involving both CSA/CETA and private contractor retrofits of 20 homes in Portland, Maine has led to an average oil savings 612 gallons per home (a 38% reduction), for an average investment of $2380 per home, corresponding to an average cost of saved energy of $0.40 a gallon.[2]
- For a new 2000 ft^2 home in an average U.S. climate an additional investment of $1300 to improve the building shell beyond the current construction practice so as to conform to the proposed BEPS standards would save 260 gallons of oil equivalent per year (a 45% reduction), for an average cost of saved energy of about $0.34 per gallon.[3]
- More than a 50% reduction in electricity requirements for frost free refrigerators could be achieved with modest design improvements that would add about $100 to the purchase price of the refrigerator. The cost of saved energy for this investment would be about 1.6c/kwh, which is only about 1/3 as large as the residential electricity price in mid 1980.[4]
- On the basis of evidence documented in the technical literature relating to automotive fuel economy it has been shown that the average on-the-road fuel economy of new cars* could be raised by 1995 to 50-60 mpg for a cost of saved gasoline less than $1.00 per gallon.[5]

The Impacts of Rising Prices

In light of such attractive economics, one would expect a frenzied rush to conservation. And indeed there has been significant progress in the U.S. economy toward realization of the conservation potential. In 1980 11% less energy was required to produce a dollar of GNP than in 1973. However, to date the rate of development of the energy crisis has far outstripped the rate of the conservation response. The attached Figure 1 shows that after the first oil shock of 1973 there has been a dramatic continuing shift of economic resources to energy expenditures from other productive activities. Retail expenditures on energy in

Figure 1



Prepared by Robert H. Williams
Center for Energy and
Environmental Studie
Princeton University
March 24, 1981

the U.S. increased from 8 1/2 to 12% of GNP between 1973 and 1977, and, with the second oil shock, this percentage increased further to 15% in 1980.

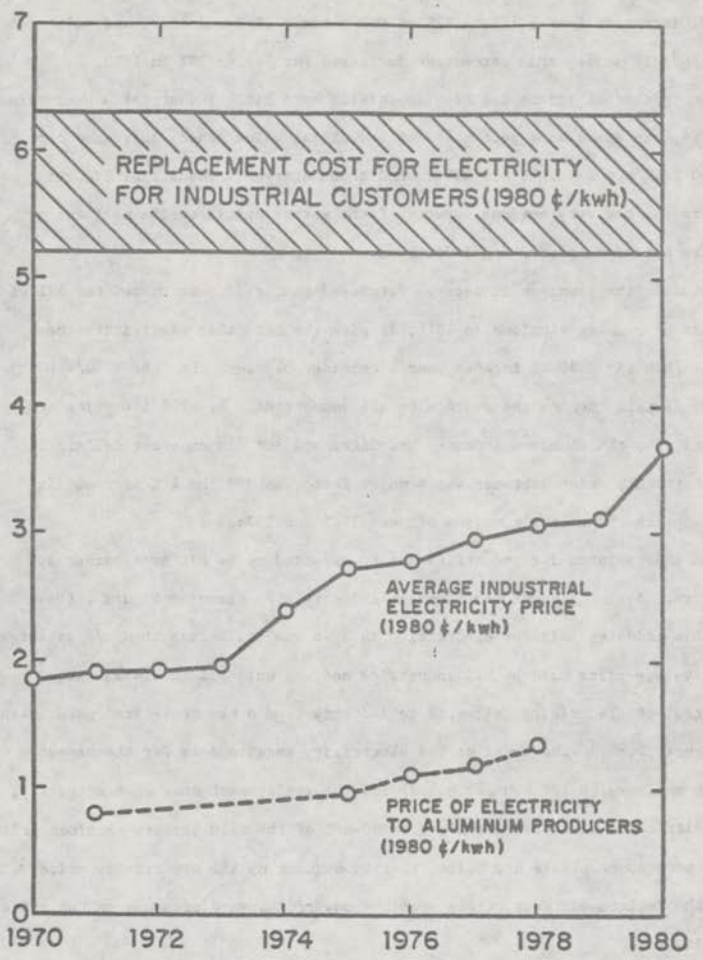
The industrial sector has been especially hard hit. Industrial expenditures on energy, expressed as a percentage of industrial value added, increased from 5% to 10 1/2% between 1973 and 1980. And these aggregate industrial figures do not reveal the very serious impacts of the energy crisis on the most energy intensive materials processing industries.

Consider the aluminum industry. Purchased electricity accounted for 12% of the price of primary aluminum in 1971, despite the fact that electricity cost only 0.8¢/kwh (in 1980 $) in that year - considerably less than the 1.9¢/kwh (in 1980 $) paid then on the average by all industries. By 1978 the price of electricity to the aluminum industry had increased 70% (in constant dollars). This electricity price increase was a major factor behind the 20% increase in the real price of primary aluminum between 1973 and 1978.

The energy intensive industries can be expected to be hit even harder in the future. Again consider the aluminum industry. As shown in Figure 2 the price this industry paid for electricity in 1978 was still less than 1/2 as large as the average price paid by all industries and was only 1/5 to 1/4 as large as the cost of electricity delivered to industry from a new coal-fired power plant (see Figure 2).[6] At the level of the electricity requirements for the newest aluminum smelters (6 1/2 kwh per pound) and the replacement cost of electricity, electricity costs would be equivalent to 50-60% of the 1980 primary aluminum price! Thus as more power plants are built, thereby driving up the electricity price toward the replacement cost, there would be powerful upward pressure on the price of aluminum.

Low income households are also being especially hard hit by rising energy prices. Consider the 11 million households with incomes below $5000 in 1977. I estimate that

Figure 7


7
6
5
4
3
2
1
0
1970
1972
1974
1976
1978
1980
REPLACEMENT COST FOR ELECTRICITY
FOR INDUSTRIAL CUSTOMERS (1980 ¢/kwh)
AVERAGE INDUSTRIAL
ELECTRICITY PRICE
(1980 ¢/kwh)
PRICE OF ELECTRICITY
TO ALUMINUM PRODUCERS
(1980 ¢/kwh)

these households spent $11 billion dollars in 1980 or about 28% of their income on household fuel, electricity, and gasoline, compared to less than 10% for households with the average 1977 income level of $16,100.[7]

Why the Invisible Hand Is Moving So Slowly

Given the doubling of the average real energy price in the U.S. economy between 1973 and 1980 (a 2 1/2-fold increase in the average real price of industrial energy) and the enormous opportunities to save energy at costs far below present energy prices, the 11% reduction in the energy intensity of the U.S. economy over the last 7 years seems quite modest. Why has progress been so slow?

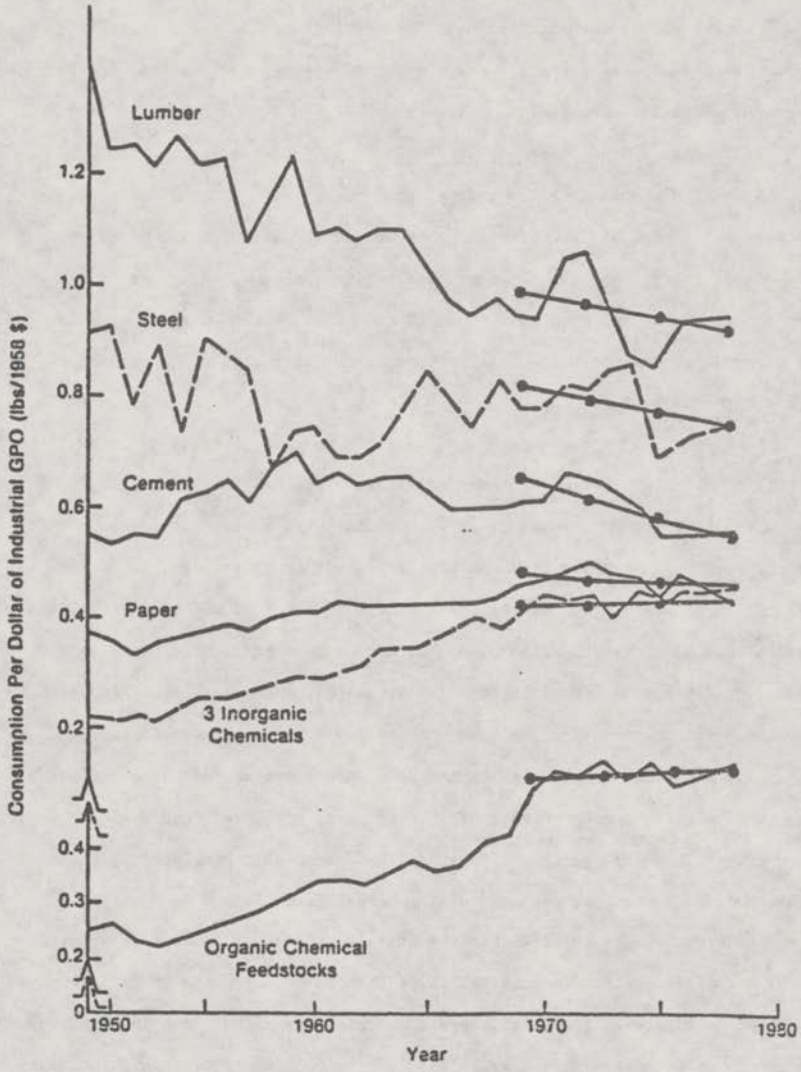
Particularly sensitive groups of course pose special problems. Low income families are not making cost-justified investments on the order of $2000 to $3000 per household simply because they are poor.

The energy intensive basic materials processing industries, which account for 70% of all industrial energy use and more than 25% of all energy use, also face a capital shortage. These industries have been antiquated by rapidly rising energy prices. Much of this industrial plant needs to be scrapped and rebuilt. Yet these industries have been unable to respond adequately to changing price signals. Many companies in these industries already have such high debt-equity ratios that conventional borrowing is no longer feasible. Moreover, slow growth in demand for the products of these industries has meant shrinking profits and diminished ability to finance projects with internal funds.

The sluggish growth of US basic materials processing industries appears to be associated with a fundamental shift that is taking place in our economy. As shown in Figure 3, growth in these industries has slowed down in relation to growth in total industrial value added. The decline in materials intensity of our industrial economy is manifest in the phenomenon that the goods consumers

FIGURE 3

Consumption of Basic Materials by Industry, 1950 - 1978



SOURCE: M. Ross and R. Williams, Our Energy: Regaining Control

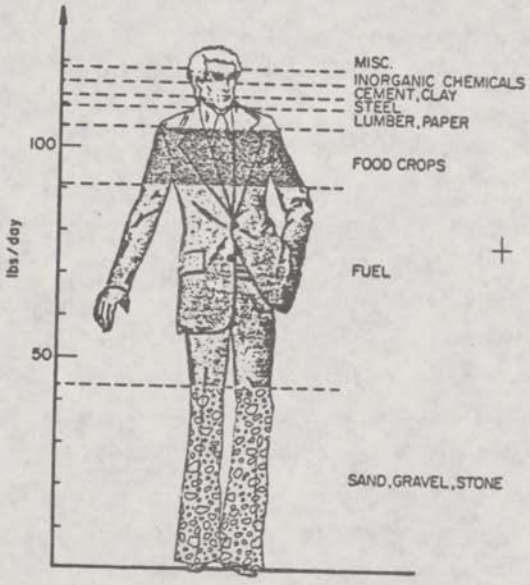
buy are containing more "value added" and less raw materials. This phenomenon has been due in part to rising energy and raw materials prices; but also it has been due to saturation effects. We should not be surprised by this. We have such a materials intensive society that on a per capita basis we consume our own weight in "stuff" each day - see Figure 4.

While the slowdown in demand growth for basic materials means that future demand for energy by these industries will be much less than most energy forecasters have recognized, this slowdown makes modernization of these industries difficult.

Aside from the special problems posed by low income households and the energy intensive basic materials processing industries, there are also more fundamental reasons why our economy is not exploiting more rapidly the potential for energy conservation. In a nutshell, because of its historical focus on energy supply, our present economic system provides inadequate motivation, inadequate information, inadequate organization, and inadequate preparation for the longer term (i.e., inadequate support for research), to permit an even-handed treatment of energy supply and energy efficiency investments. In effect the "invisible hand" of the free market has been slowed by numerous institutional obstacles. A strong federal role is needed to overcome these obstacles to cost-effective intestments in energy efficiency.

What is the best government energy conservation policy in light of these market imperfections? As a result of my involvement with energy conservation policy, observing over a long period what works and what doesn't, I have been persuaded that the best policy is a market-oriented one. Because improved technology of energy use requires multi-purpose and changing approaches in highly diverse situations, detailed government intervention in decisions re-

FIGURE 4



PER CAPITA CONSUMPTION OF BASIC MATERIALS
IN THE U.S.

Source: M.H. Ross and R.H. Williams, Our Energy: Regaining Control

lating to energy efficiency is awkward at best and counterproductive at worst. It is thus much more desirable to introduce policies aimed at removing market imperfections than to adopt policies designed to compensate for market imperfections. This does not mean that regulations or targeted incentives or other direct intervention measures should never be used - but they should be used sparingly - only when one cannot find a market strategy that would overcome barriers to minimizing total lifecycle costs.

The Ross/Williams book is an exposition of this market-oriented approach to energy conservation. A summary of the policies recommended in our book in light of the present market imperfections is given in Appendix A to this testimony. At this point I would like to focus on the budgetary implications of such a policy.

The Level of Budget Required for Energy Conservation

A market-oriented policy is inherently less costly than a policy emphasizing market intervention. This means that federal government's energy conservation budget could probably be cut some 30% or so, and the program could still emerge stronger than it is today - if the cuts were made judiciously and if there were an appropriate shift in priorities. The Administration's proposed cuts, however, based on the mistaken notion that all the government must do in a market oriented policy is decontrol oil and gas prices, would leave the nation's energy conservation program in a shambles and the nation unable to respond either in the near term or in the longer term to the unfolding energy crisis.

While it is beyond the scope of my testimony to give a detailed critique of all the items in the proposed budget, I will show in the case of a few examples the folly of the Administration's Budget Proposals:

- Labeling Energy Performance: Programs for labeling of the energy performance of energy intensive items (based on verified tests) such as buildings, motor vehicles, appliances,

lubricating oils, and tires are among the most important items in a market-oriented strategy. Information generating efforts important for labeling programs are jeopardized in the proposed elimination of the Building Energy Performance Standards and Appliance Efficiency Standards programs. Saving money by cutting back or eliminating labeling programs is a classic example of being penny-wise and pound-foolish. One of the programs which the Transportation Systems Utilization Division cannot carry out, because the proposed budget would virtually eliminate its funding, involves the labeling of the energy performance of different tires and oils. If all consumers used the most fuel efficient oils and tires available on the market today, U.S. light vehicle fuel consumption would drop about 1/2 a million barrels per day, and the nation would reduce its oil import bill by $7 billion a year!

- Information Transfer to the Energy Conservation Service Industry: Programs aimed at transferring information on energy efficiency diagnostic techniques and technologies to the embryonic energy conservation service industry are also important for a market oriented conservation strategy. Such programs are especially badly needed for multifamily and small commercial buildings. Here the service industry is essentially nonexistent; and markets work especially poorly, because lifecycle cost minimization is difficult to achieve where the person paying the fuel bills is different from the person who would make the investments. Despite the importance of programs of this type, the Administration proposes to reduce from $31.1 million to zero the budget for the Residential/Commercial Retrofit program, which would involve, among other things, the training of 12,000 auditors for multifamily and commercial buildings.

- Scorekeeping: Another important type of informational program involves scorekeeping. Conservation involves such diverse activities that it is difficult to know

a priori how successful particular programs will be. Because of this problem government should give high priority to "scorekeeping" programs that measure and evaluate impacts of ongoing conservation efforts. Such programs would provide decisionmakers feedback to enable continuing improvement in energy conserving efforts. The Administration's proposal to zero the budget for Analysis and Technology Transfer, an important "scorekeeping" effort in the Buildings and Community Systems Program, shows a failue to appreciate the importance of scorekeeping for a market oriented policy.

- Identification of Conservation Opportunities: Still another valuable type of information program involves the targetting of conservation investment opportunities. The nation's energy data base must be sufficiently disaggregated by important energy end uses to determine targets of opportunity for the most cost effective investments and to identify consuming groups that should be given special attention because they are especially vulnerable to rising prices, supply disruptions, etc. Over the last couple of years the Energy Information Administration (EIA) has made important advances in this area. (For example, the numbers cited above showing the impact of high energy prices on the poor are derived largely from results of the excellent Residential Energy Consumption Survey.) Yet it appears that much of this new activity would be eliminated by the proposed budget cuts for the EIA. For example, the industrial boiler survey which for the first time would give detailed information on industrial boilers has been stopped. One important use of this data would be to provide estimates of the industrial cogeneration potential. Cogeneration under a wide range of circumstances is more economical than central station power generation. In deciding whether new central station power plants are needed, public utility commissions need to know what the viable alternatives are. Data on steam loads are needed to determine the extent to which cogeneration projects might be sutstituted for central station power plants.

- Research: Because the private sector has rather short range goals and because it is difficult for the individual firm to capture many of the benefits of fundamental research, the government has a major role in supporting research aimed at long run improvements in energy efficiency. In light of the importance of research, the large cutbacks in research programs are disturbing. The zeroing of the research budget for the Industrial Energy Conservation Program is especially shortsighted. With the stroke of a pen the government thereby loses the capability to understand the long run research needs of the industrial sector - a capability which has been developed over several years in the Office of Industrial Programs and which is valuable as part of a policy to help keep U.S. industry competitive in world markets in the long run.
- Investment Subsidies for the Poor: Because of the extreme hardship of rising energy prices on the poor, the government has a major responsibility in assisting the poor. The stopgap fuel assistance program (estimated to be $1.8 billion for this year) provides only a tiny reduction in the energy burden on the poor. (Recall that the 11 million households with 1977 incomes under $5000 paid about $11 billion for energy in 1980.) Moreover, these operating subsidies are much less desirable than subsidies for conservation investments, that are not only less costly in the long run but also have the virtue that they enable a reduction of the dependency of the poor on the government. Yet by shifting it from the Department of Energy to the Housing and Urban Development Block Grant Program, the Administration would virtually eliminate the $200 million weatherization program

These various examples show quite clearly that the Administration's proposed budget cuts have been carelessly constructed. Congress should carefully scrutinize each item in the proposed budget, and establish its own priorities for a leaner conservation budget.

The Need for Balance in the Overall DOE Budget

When the Administration's entire energy budget is reviewed, it becomes clear that, in contrast to the treatment of energy efficiency, the fate of nuclear power is not being left to the invisible hand of the market. In fact, in this time of government austerity the Administration has proposed to increase federal support for research, development, demonstration and commercialization of civilian nuclear power technologies by 30 percent, to $1210 million in fiscal year 1982. In particular the Administration is reviving the plutonium breeder commercialization program, which is supposed to get $737 million in fiscal year 1982.

This commitment to the breeder is difficult to understand. Expected slow future electricity demand growth and poor economic prospects render a breeder demonstration project a very bad investment.[9,10] Yet in the Forward to the 1980 Annual Report of the Clinch River Breeder Reactor Project Management Corporation, Wallace Behnke has found a new rationale. He argues that the construction of a demonstration plant by the U.S. government:

> "...is crucial to the nation's ability to keep pace with foreign breeder technology developments."

But Behnke does not explain why it is important for the U.S. to keep pace with other nations in what looks increasingly like a race to develop a white elephant.

Indeed as the attached Electrical World article (see Appendix B) shows, the cost of electricity from the much touted French Superphenix plutonium breeder reactor is nearly twice as large as that from pressurized water reactors, and, according to Electrical World, James L. Cochrane of the CIA's Office of Economic Research feels that

> "...the French breeder program faces strong economic problems that portend a bleak future for its survival, much less its expansion - contrary to what is presented in the popular and trade press..."

It appears that President Reagan, in pushing the breeder, is following the lead of President Nixon, who was persuaded by the aircraft industry and the Department of Transportation to develop the SST, despite the fact that both major reviews he commissioned of this controversial program expressed doubt that either the U.S. SST or the French-British concorde would be able to compete with subsonic aircraft. Ultimately, of course, the market will determine the fate of the breeder and the answer to the question asked by Le Monde, France's leading newspaper, just four years ago (see Figure 5): "Is the Super-Phenix a Nuclear Concorde?"

Given the need for austerity in the overall energy budget, the illconceived nature of many of the proposed cuts in the conservation budget, and the faulty rationale for the breeder program, it is desirable to seek a more balanced DOE budget, perhaps with roughly uniform cuts in all major DOE programs but approximately the same overall budget level proposed by the Administration.

Le Monde DES SCIENCES ET DES TECHNIQUES

Super-Phénix : un Concorde nucléaire ?

LE programme français de surgénérateurs se terminera-t-il aussi mal que le programme Concorde ? On peut le craindre. Avec quelques années de décalage, ils sont placés dans des situations similaires. Une réussite technique indéniable est menacée d'échec par l'attitude américaine. Les péripéties du droit d'atterrissage de Concorde à New-York ne sont qu'un combat d'arrière-garde. Le coup mortel a été porté par les Etats-Unis quand ils ont décidé d'abandonner leur propre programme de supersonique civil. La défiance américaine envers les supersoniques a entraîné celle des autres pays. L'avion ne s'est pas vendu.

Dans le domaine nucléaire, le président Carter vient d'annoncer que les Etats-Unis renonçaient à l'extraction du plutonium des éléments combustibles irradiés, et que leur programme de réacteur surgénérateur était mis en sommeil. La commercialisation des cet réacteurs est en outre interdite. Le programme français de surgénérateurs, avec Phénix et Super-Phénix, se trouve ainsi isolé. Le même phénomène de désaffection s'amorce. La Grande-Bretagne ralentit son effort, ainsi que la République fédérale d'Allemagne. Les Pays-Bas menacent de supprimer leur participation à Super-Phénix. La France risque ainsi de se trouver seule en première ligne.

La possession d'une technique de pointe ne garantit pas, en effet, la réussite. Sa rentabilité n'est assurée que si elle est répandue largement dans le monde ; sa crédibilité industrielle est au moins aussi importante que son efficacité.

Autre analogie entre Concorde et Super-Phénix : leurs adversaires emploient des arguments du même ordre : la pollution. Le bruit fait à l'atterrissage et au décollage pour l'avion ; les dangers du plutonium, et notamment ses utilisations militaires, pour les réacteurs sont les raisons officielles de les écarter. Mais, derrière ces réactions, quelque fondées qu'elles soient, se profilent des raisons économiques beaucoup plus profondes, quoique rarement exprimées au grand jour.

Il y a deux manières d'aborder les problèmes d'énergie à long terme. On peut raisonner physiquement, en quantité d'énergie nécessaire, en disponibilité des différents types d'énergie primaire, etc. Mais on peut aussi raisonner en coût. *A priori*, l'énergie la moins chère devrait s'imposer et l'emporter sur toutes les autres.

Or, il est facile de le constater, il existe aujourd'hui, comme il subsistera demain, différentes sources d'énergie. Il serait miraculeux que le coût technique de ces énergies soit le même. Ce n'est donc que d'une manière plus ou moins artificielle, en fonction de la politique menée par chaque pays, que des sources d'énergie, d'un coût technique divers, arrivent à coexister.

Le pétrole est la source d'énergie dont le coût technique est de loin, à l'heure actuelle, le plus bas. Il est donc normal que, après avoir [illegible] de l'énergie nucléaire est beaucoup plus élevé qu'il n'était initialement prévu. Le coût de la construction des centrales a été augmenté par des facteurs importants d'inflation, notamment, à plus que doublé. Constatant l'augmentation de prix de leur concurrent, les pays pétroliers ont donc relevé leurs prix sans contrainte. La guerre du Kippour fut une excellente occasion : la destruction nucléaire des centrales à eau légère avait cessé

Les conditions d'une nouvelle technique énergétique

Cette analyse montre à quelles conditions une nouvelle technique énergétique peut s'imposer. Il faut que [illegible] de la rentabilité. Son [illegible] de la réalité de cette rentabilité, mais dans un contexte de prix qui peut être complètement changé. A posteriori, on peut constater que l'énergie nucléaire par réacteurs à eau légère n'était pas rentable par rapport au pétrole à l'ancien prix. Mais les constructeurs ont réussi à le faire croire. On a donc construit des réacteurs. Le développement de l'énergie nucléaire dépend maintenant de la rentabilité de cette technique par rapport aux hydrocarbures à des prix relevés, et aussi au charbon, qui redevient compétitif.

Quelle est la place des réacteurs surgénérateurs dans ce schéma ?

On peut penser que leur développement technique se passera bien, les techniciens acquerront des compétences de construire des centrales « industrielles » ayant une dizaine d'années. Mais l'économie en voudra-t-elle ?

L'attitude américaine actuelle atteint les surgénérateurs sur ce point délicat : il est difficile de faire croire aux utilisateurs que Washington néglige une technique qui aurait des avantages considérables. Or, sans crédibilité, et quels que soient ses avantages réels, une technique n'a pas d'avenir. Les partisans des surgénérateurs auront beau faire. Ils pourront crier à la pénurie d'uranium, au manque de ressources terrestres, ils ne convaincront pas les acheteurs éventuels. Les surgénérateurs resteront des prototypes pendant longtemps.

L'abandon ou l'aventure

L'histoire de Concorde est très parallèle. Pour de bonnes ou mauvaises raisons, peu importe, les Américains n'ont pas « cru » au supersonique. Dans ces conditions, l'avion ne pouvait pas se vendre.

Que faire alors ? Tout abandonner et compter l'argent investi en pertes ? Ou, au contraire, pousser l'aventure comme c'est le cas : construire quelques exemplaires d'un avion de prestige, qui aura coûté extrêmement cher ? Seul avantage réel : les équipes mises en place n'ont pas été démantelées immédiatement. Elles sont prêtes pour construire le successeur de Concorde.

La France est aujourd'hui dans la même position avec les surgénérateurs. Elle peut sinon abandonner cette filière, du moins ralentir son effort, suivant en cela l'exemple de tous les autres pays. Elle peut aussi chercher à aller de l'avant et faire subir à Super-Phénix le même sort qu'à Concorde : en faire un beau réacteur invendable.

Le débat ne devrait pas tarder à être posé sur la place publique. Comme bien souvent, les arguments mis en avant, par les uns et les autres, risquent de ne pas être les plus importants. L'écologie sera abondamment mise à contribution, alors que les problèmes essentiels seront ailleurs.

Quoi qu'il arrive, l'échec présent d'une technique ne signifie pas qu'elle est dépourvue d'avenir. Des avions civils supersoniques atterriront certainement un jour en grand nombre le ciel de tous les pays. La pénurie d'uranium conduira les ingénieurs de l'industrie nucléaire à utiliser ce métal d'une manière plus efficace que dans les réacteurs actuels. Les surgénérateurs s'imposeront donc un jour. Mais quand ?

JEAN-LOUIS LAVALLARD.

1179

Figure 5

Notes and References

1. The Economics of Saved Energy in the Bowman House



Conservation measure	Investment[a] (dollars)	Savings[a,b] (per cent)	Cost of saved energy[c] (1978 $/gal.)
1 Storm windows	780	25	0.32
2 Wall insulation	840	20	0.44
3 Floor insulation	480	7.5	0.67
4 Added attic insulation[d]	550	6	0.95
1 + 2	1620	45	0.37
1 + 2 + 3	2100	52.5	0.42
1 + 2 + 3 + 4	2650	58.5	0.47

a The Bowman house, (with a floor area of 2054 sq. ft.) initially had insulation only in the attic (3½ inches) and double glazing only on a living room picture window; all other windows had single glazing. Before the storm windows and insulation were added, efforts were made to reduce air infiltration by caulking, weather-stripping, etc. This effort (which cost $190) resulted in no measurable savings. This is probably because the house was quite airtight to begin with, having an air exchange rate of 0.2 to 0.6 air exchanges per hour. A more typical house has 1 to 2 air exchanges per hour. (*See D.M. Burch and C.M. Hunt.*)

b The savings are relative to a pre-retrofit annual consumption level of 990 gallons of oil. The furnace efficiency is 55%.

c The proper evaluation of capital and operating costs requires their comparison on the same footing. The method of evaluation used here facilitates that comparison by assuming equal loan payments in constant dollars for each year over the life of the loan. The levelized annual payment P (in dollars/year) on a loan L with an interest rate I and a term of N years is:

$$P = \frac{IL}{1-(1+I)^{-N}}$$

For I = 0.06 (the "real" interest rate for a home-improvement loan with a nominal 12% interest rate and a 6% annual inflation rate) and N = 15 years, P = 0.103L. For an annual fuel savings S (in gallons/year) associated with an investment L, the cost of saved energy is:

$$C = 0.103L/S \text{ dollars per gallon.}$$

d Six inches of loose fill cellulose insulation were blown on top of the existing 3½-inch glass fiber blanket in the ceiling. The costs of saved energy associated with installing attic insulation where none exists initially would be much less than the cost shown here.

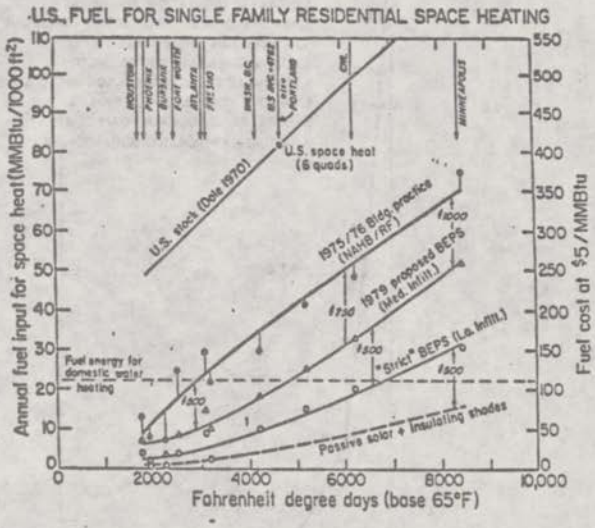
Source: R.H. Williams and M.H. Ross, "Drilling for Oil and Gas in Our Houses," Technology Review, March/April, 1980.

2. Here the cost of saved energy is calculated as in note 1. The data were obtained from Richard Grot of NBS, private communication.

3. For a new house the real interest rate (corrected for inflation) is taken to be 3% and the life of the investment is taken to be 20 years, so that the cost of saved energy (see note 1) is:

$$C = 0.067\ L/S$$

From the following figure the cost of improving the energy performance of new houses in an average climate (4800 degree days) from 1975/76 building practice to the 1979 proposed BEPS performance level is \$650 per 1000 ft^2, resulting in an annual fuel savings of 18 million Btu per 1000 ft^2.



XBL 795-1396 B

Figure Q-4. Annual fuel input per 1000 $ft.^2$ for space heat for a one-story ranch house, based on computer simulations for BEPS for 10 U.S. cities. The conversion from thermal load to fuel input was based on a seasonal furnace system efficiency of 0.7. Sources: BEPS Technical Support Documents and A.H.Rosenfeld et al., Building Energy Use Compilation and Analysis (BECA), LBL - 8912, to appear in Energy and Buildings, 1980

4. The following figure shows that for about \$75 in 1975 dollars (\$107 in 1980 dollars) the electricity requirements of a frost free refrigerator could be reduced by 910 kwh/year (8.8 million joules/day). With a 10-year term home improvement loan the cost of saved energy for this improvement would be

$$C = .136\ L/S = 1.6\ c/kwh\ (1980\ \$)$$

Note 4 (cont.)

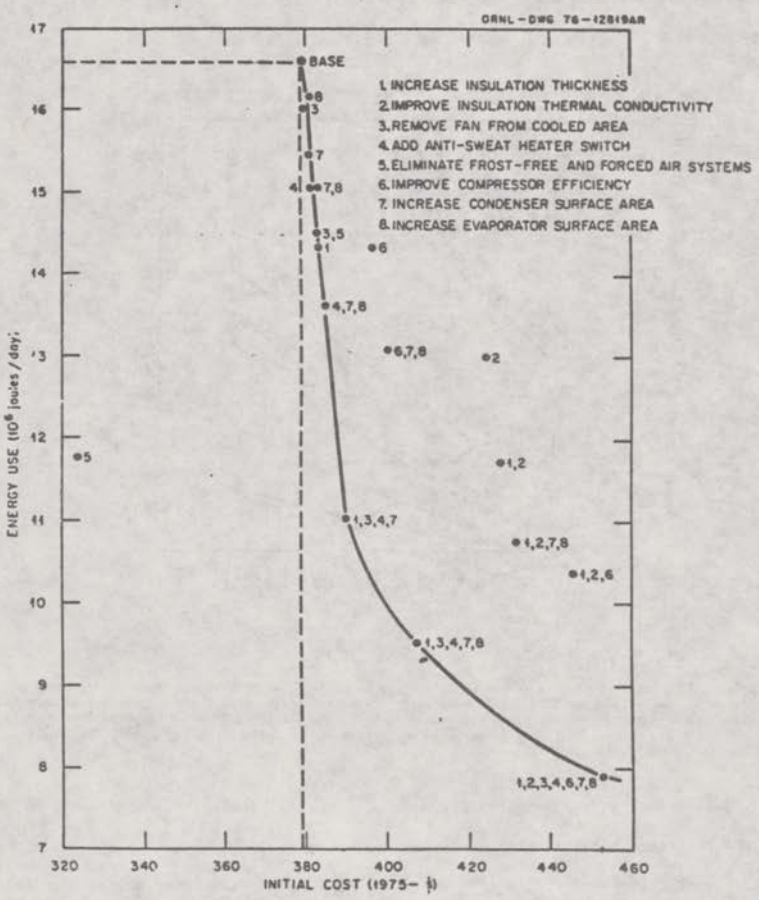


Figure 1. Energy use vs. retail price for various design changes for a 0.45 m^3 (16 ft^3) top-freezer refrigerator.

Source: R.A. Hoskins and E. Hirst, "Energy and Cost Analysis of Residential Refrigerators," Oak Ridge National Laboratory Report, No. ORNL/CON-6, January 1977.

5. The SERI Solar/Conservation Study, April 1981.

6. The replacement costs for electricity shown in Figure 2 are from the SERI Conservation/Solar study and are based on coal and power plant capital costs developed by the Electric Power Research Institute. The range shown reflects regional variations.

7. The following is an estimate of the percentage of income spent directly on energy at 1980 price levels for low income and average income households.

	Energy Consumption in the Year April 1978-March 1979	Actual Expenditures in the Year April 1978-March 1979 (1977 $)	Expenditures for 1980 Prices and April 1978-March 1979 Consumption Levels (1977 $)	Estimated Actual Expenditures for 1980 Prices (1977 $)(g)
1977 Income less than $5000(a)				
Household Fuel	642 gallons of fuel oil equivalent(b)	262(b)	349(f)	
Electricity	5550 kwh(b)	214(b)	237(f)	
Gasoline	276 gallons(c)	171(f)	269(f)	
TOTAL		647	855(h)	809(h)
Percent of Income		22.1%	29.2%	27.6%
Average 1977 Income ($16,100)				
Household Fuel	763 gallons of fuel oil equivalent (b)	305(b)	412(f)	
Electricity	9440 kwh(b)	356(b)	404(f)	
Gasoline	834 gallons(e)	515(f)	814(f)	
TOTAL		1176	1630	1527
Percent of Income		7.3%	10.1%	9.5%

Notes

(a) There were 11 million households (14% of all households) having incomes less than $5000 in 1977. According to Statistical Abstract 1979, p. 460, the average income per household in this group was $2928 in 1977.

(b) Residential Energy Consumption Survey, Consumption and Expenditures, April 1978 through March 1979, DOE/EIA-0207/5, July 1980.

(c) From ref. d it is estimated that at a 1978 income level below $5000 the average household vehicle miles traveled was 3680 in 1978. (This average is over all households, including households without cars.) Gasoline consumption is estimated by assuming a fuel economy of 14 mpg.

(d) Table 2.37, p. 2-52, in G. Kulp et al, Transportation Energy Conservation Data Book: Edition 4, ORNL-5654, September 1980.

(e) From ref. d. it is estimated that for a household with average income the average vehicle miles traveled was 11,680 in 1978.

(f) Energy prices were obtained from "Monthly Energy Review," various issues.

(g) Here it is assumed that at a given income level

$$\text{energy consumption} = \text{constant} \times (\text{price})^{\alpha}.$$

The price elasticity α is estimated as the average for the residential/commercial sectors during the period 1973-1980. In note 8 it is estimated that $\alpha = -0.2$.

(h) The average 1980 expenditure expressed in 1980 dollars would be $1013 per poor household.

8. The price elasticity of energy demand for the Residential/Commercial sector as a whole is estimated from the following data:

	Energy Consumption in the Residential/ Commercial Sectors (10^{15} Btu)	Average Energy Price		GNP (10^{9} 1972$)	GNP Deflator (1980 = 100.00)
		Current $ Per Million Btu	1980 $ Per Million Btu		
1973	27.4	1.52	2.55	1255	59.59
1974	26.7	1.99	3.07	1248	64.79
1975	26.6	2.30	3.25	1234	70.79
1976	27.8	2.59	3.48	1300	74.49
1977	28.2	2.95	3.74	1372	78.84
1978	28.8	3.12	3.69	1437	84.60
1979	29.3	3.59	3.91	1483	91.77
1980	29.1	4.66	4.66	1481	100.00

From the above data the price elasticity of energy demand α can be estimated, assuming:

$$\text{Energy consumption} = \text{Constant} \times \text{GNP} \times (\text{Average Energy Price})^{\alpha}$$

Thus one obtains $\alpha = -0.2$.

9. H.A. Feiveson, F. von Hippel, and R.H. Williams, "Fission Power: An Evolutionary Strategy, Science, January 26, 1979.

10. Frank von Hippel, "A Pork Barrel Full of Plutonium," to be published in the May-June issue of Public Power, the magazine of the American Public Power Association.

76-703 0 - 81 - 29 (6b)

Appendix A: The Elements of a Market Oriented Fuel Conservation Policy

The present U.S. economic system provides inadequate motivation, inadequate information, inadequate organization, and inadequate preparation for the longer term (i.e., inadequate support for research) to permit an even-handed treatment of energy supply and energy efficiency investments. A strong federal role is needed to overcome the institutional obstacles in each of these areas.

Inadequate motivation: Part of the motivational problem is that even with oil and gas price decontrol energy prices would still not reflect the full social costs of producing and consuming new energy supplies. While the idea of still higher prices is painful, the plain truth is that artificially low prices are a powerful deterrent to conservation investments. Instead of holding prices down we should be phasing in prices that reflect full social costs, while simultaneously protecting low income households from the burden of higher fuel bills by enabling them to make energy efficiency investments (e.g., via a weatherization assistance program, or via grants or guaranteed low interest loans for weatherproofing houses for low income groups).*

Besides oil and gas price deregulation we should be seriously considering moving toward the deregulation of electricity generation as well. Replacement costs for electricity are far in excess of present prices,** creating the potential

---

* In the Administration's A Program for Economic Recovery, February 18, 1981, it is indicated that the Energy Department's weatherization program would be incorporated into the Department of Housing and Urban Development's community development block grant program. If this is done it is crucial that part of the overall effort be devoted to "energy score-keeping" in which the fuel savings associated with specific retrofits is measured and compared to the costs of the retrofits, to help ensure the effectiveness of the program. There will be a bureaucratic temptation to keep score by simply counting the number of houses covered by the program - a form of scorekeeping that is worthless, because it provides no feedback by which managers and policymakers can learn from their mistakes and improve on their efforts. See below.

** For example, it is estimated that the replacement cost for electricity to industrial customers is, on the average, roughly 70% higher than the 1980 price. See notes A1-A4.

for sudden, destabilizing price increases, as happened in 1979-1980 (see Figure A1). Artificially low electricity prices are also creating a demand for new power plants far in excess of what would be required with prices based on true costs.

At the same time the fundamental rationale for economic regulation of power generation is breaking down. Recent developments mean that power generation no longer represents a natural monopoly. There no longer appear to be economies of scale to be captured by building generating plants larger; in fact, there is substantial evidence that the point of diminishing returns to increasing scale may already have been exceeded with the largest plants. Moreover, cogeneration plants, under a wide range of circumstances, can provide electricity competitively with central station plants 10, 100 and sometimes 1000 times as large. And finally, modern transmission technology has made it possible to serve any particular need for power via generation facilities dispersed over a wide region.

It is natural therefore to propose that serious consideration be given to separating the power-generation business from transmission and distribution and allowing the power generation industry to become competitive.* So doing would help limit electricity price increases in the new era of rising marginal costs and uncertain future demand.

Significant market distortions also arise from subsidies provided to the energy supply industries. It is estimated that in 1977 subsidies in support of the routine provision of energy amounted to over $6 billion.[A5] While these subsidies represent

---

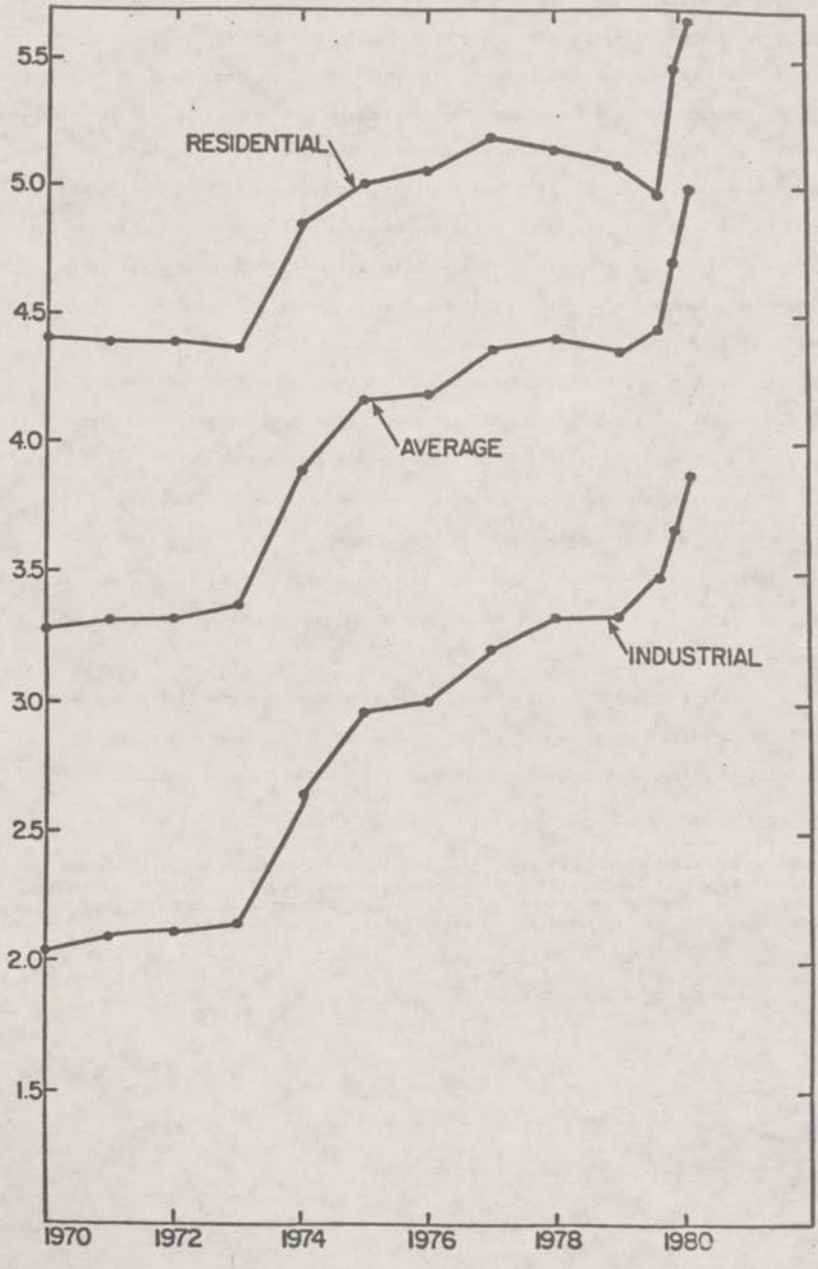
* The organization of electricity transmission and distribution activities might be modified as well. One possibility would be to establish a regionally based natural monopoly for transmission, regulated at the federal level, with community-scale distribution companies regulated at the state level.

A3

FIGURE A1

ELECTRICITY PRICES

(1980 ¢/kwh)



only 3% of retail energy sales, the subsidies are mainly capital subsidies and are equivalent to about 10% of total capital investment by the energy supply industries.[A6] These subsidies, along with energy price controls, have contributed to the established trend toward overinvestment in energy supply. The percentage of all new plant and equipment expenditures in the U.S. economy going to energy supply rose from an average of less than 25% in the 1960's to over 40% in the late 1970's (see Figure A2).

This overinvestment in energy supply helps create a general scarcity of capital resources for energy efficiency investments. It comes at a time when it is essential to speed up the overall rate of capital investment, to replace outmoded existing energy-using capital equipment designed for the era of cheap energy and to help reestablish the position of American industry in world markets.

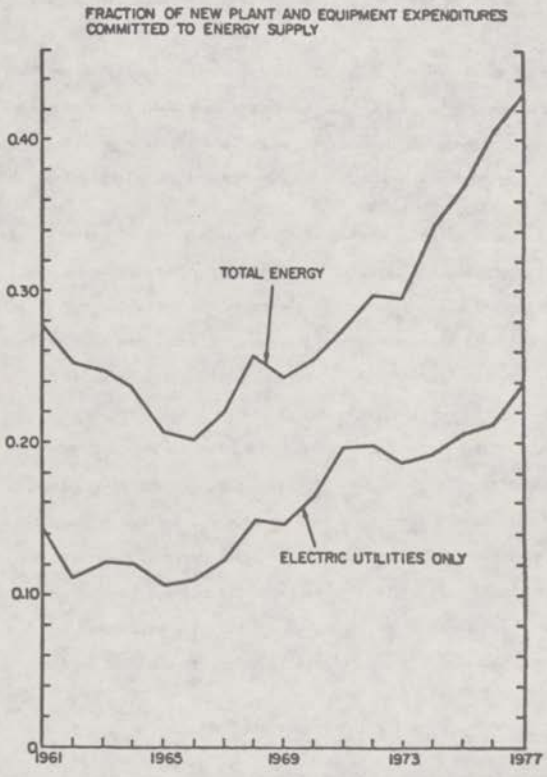
The usual response to these existing market distortions in favor of energy supplies is to call for new offsetting "targeted" incentives for conservation. Indeed even the new Administration is proposing no change in the current energy conservation tax credit, which is expected to provide some $0.74 billion in support of private conservation activities during 1981.** Of course this subsidy pales in comparison to the subsidy for the routine provision of energy supply, which is roughly 10 times as large.[A5] Should the targeted subsidies for conservation investments therefore be significantly increased? Probably not. In the first place, I believe there are much more urgent needs in a conservation policy than increased targeted incentives for qualifying conservation investments. Moreover, conservation investments are not particularly well suited for targeted incentives, because improved technology of energy use requires multipurpose and changing approaches to highly diverse situations. Moreover, in the industrial sector it would be better

---

** A Program for Economic Recovery, page 4-20, February 18, 1981.

A5

Figure A2



Source: M. Ross and R. Williams, Our Energy/Regaining Control

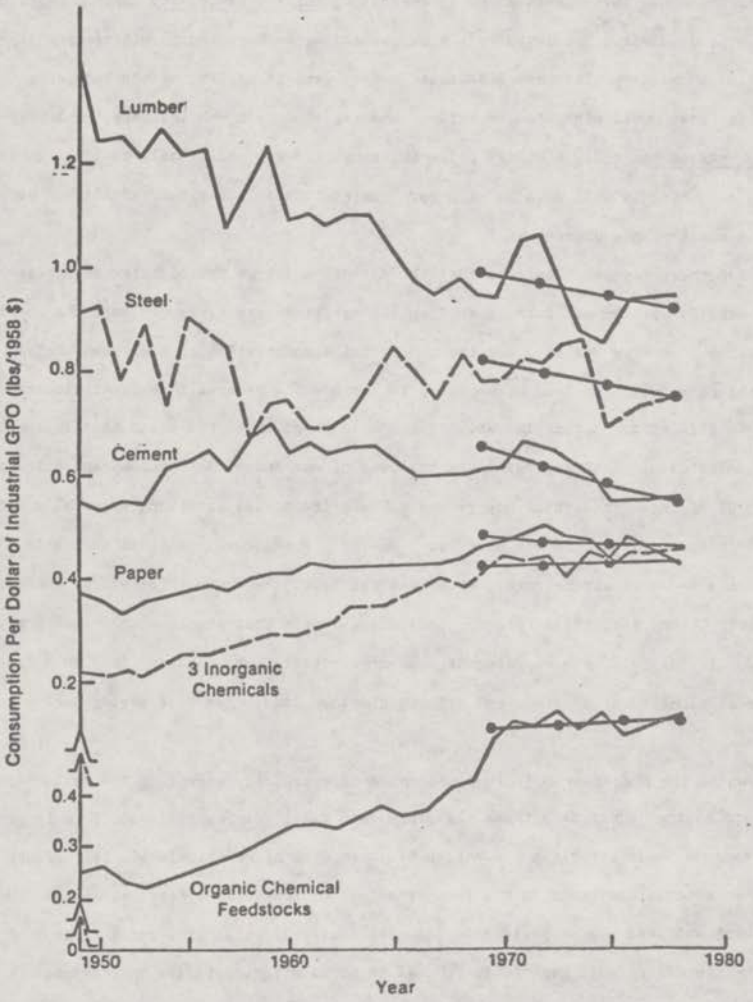
Capital expenditures in energy producing industries were obtained from Table 7.1, p. 128, in the Energy Information Administration's Annual Report to Congress, vol. 3, 1978. Excluded are expenditures for pipelines, tankers, chemical plants, marketing, and other "downstream" capital expenditures. Total new plant and equipment expenditures for the U.S. are obtained from "Economic Indicators," prepared for the Joint Economic Committee by the Council of Economic Advisors, various issues.

to encourage new investments aimed at increasing total productivity instead of just energy productivity. An investment aimed at adding on more energy-efficient equipment to an existing plant may sometimes in fact lead to prolonging the life of a facility that would otherwise be retired and replaced by a new facility, employing new processes. In today's energy price environment a new plant built to improve total productivity will usually save more energy than an old plant refurbished with energy conserving equipment.

For these reasons I believe that the optimal solution to the targeted investment subsidy problem would be to abolish all targeted incentives for both the routine provision of energy and also for the commercial demonstration of new technologies, and the formulation instead of measures to improve the general investment climate.

In this effort particular attention should be given to the basic materials processing industries, which represent the backbone of our industrial economy and account for over 70% of total industrial energy use. These industries are being especially hard hit by rising prices. In the past many energy intensive industries were able to locate so as to obtain energy at prices far below the average for all of industry. But today these industries face marginal energy costs that are about the same everywhere. For example, the replacement cost of electricity to industry is 3 to 6 times (in real terms) what chemical and primary aluminum industries were paying just 4 years ago![A7]

While the need to rebuild and modernize is especially urgent in the basic materials processing industries, these industries are relatively capital-short, in large part because basic materials production has been growing relatively slowly (reflecting the established trend in the industrial sector toward more fabrication and finishing and less use of basic materials per dollar of total industrial value added - see Figure A3). Thus it is crucial to be sure that policies intended to improve the general investment climate would indeed lead to substantial rebuilding in the basic materials processing industries.



SOURCE: M. Ross and R. Williams, Our Energy/Regaining Control

Figure A3 **Consumption of Basic Materials by Industry, 1950 - 1978**
[pounds of material per dollar of value added (gross product originating) for all of industry]

A8

Policies to decontrol energy prices and to eliminate targeted subsidies by themselves would not lead to prices that reflect the full social costs of energy production and use, because there are social costs that are not included in market prices - e.g., the national security cost associated with our dependence on insecure sources of foreign oil and environmental impacts associated with energy production end use. These could be accounted for by introducing energy taxes to offset certain existing taxes, as part of a general tax reform effort. In my view the most serious of the various "external social costs" at the present time is the national security risk associated with a high level of oil imports. Thus some kind of tax on petroleum or petroleum products is appropriate - perhaps a tariff on petroleum imports. While there are many possibilities for the compensating tax redcution, I tend to favor reducing corporate income taxes (to help create a more favorable investment climate) and social security taxes (to alleviate the impact of the energy tax on low income families).

Even if prices were fully "rationalized" there would be some groups of consumers and producers that would be inadequately motivated to make cost-effective energy efficiency improvements, so that some have direct kind of government intervention (e.g., regulations) appears to be needed to supplement market forces:

- Building energy performance standards for <u>rental</u> buildings appear to be desirable, since market strategies break down entirely when the person paying the fuel bills (the tenant) is different from the person who owns the property (the landlord). And markets often work poorly even if the landlord pays the bills. Landlords can usually pass on fuel cost increases to their tenants, while the tight housing market in many areas makes energy costs a relatively minor consideration for most prospective tenants. Also, in a number of communities, restrictions in rent-control ordinances may make it difficult for landlords to pass costs and savings through to their tenants in an equitable fashion.

A9

- Higher post 1985 new car fuel economy standards (or alternatively, the levy of a stiff "gas guzzler tax") would spur the development and marketing of cars having fuel economies of 40 to 60 mpg, which are more cost effective than synfuels development.[A8] There is no evidence that Detroit, which still seems to regard the oil problem as a supply issue, is prepared to produce and market such cars.
- Appliance efficiency standards appear to be desirable for certain energy intensive appliances. Here the main motivation is that electricity prices will probably rise only slowly to replacement cost levels, because the deregulation of power generation must be phased in slowly.

Inadequate information: Even when energy consumers are adequately motivated to save energy, they often do not have adequate access to information on which to base decisions. One aspect of this problem is that known information is not readily available to various decision-makers. Most homeowners still do not have good information as to the most cost-effective investments that they can make in saving energy in their homes and when they are shopping for a new home usually do not have available to them adequate information concerning the relative energy efficiencies of the houses that they are inspecting. Even in industry energy managers are often not familiar with known opportunities for energy efficiency improvements which go far beyond traditional "leak plugging."

An ambitious government role in improving this flow in information would be a relatively low cost but important way to accelerate the implementation of conservation measures.

One of the most important initiatives would involve the mandatory labeling of the energy performance of various consumer products relating to energy intensive activities. In the automotive area the labeling of the fuel economy implications

of various engine and transmission oils* and tires** would be desirable. In buildings labeling should be required both for major energy consuming appliances and for the space conditioning fuel requirements. (Note: a labeling requirement is not the same as a performance standard.) In the case of buildings (both new and "used") labeling based on a diagnostic measurement (not simply computer simulation) at the time of sale should be the eventual objective of public policy. R & D in support of developing a quick and meaningful diagnostic measure is needed.

Another important role for government would be to support training programs for "house doctors" and for building contractors in the technology and economics of improving the energy efficiency of buildings and thereby to help nurture the creation of a technically competent buildings energy conservation service industry, which does not exist at present.

A second informational problem is that in many instances an adequate information base for determining targets of opportunity for saving energy is not even available to the experts. Our energy consumption data base is often too highly aggregated to be able to do more than guess what the best conservation investments might be. In industrial plants, for example, the energy consumption data available to plant managers is usually not disaggregated to the level of the processes for which the investments should be made but instead is aggregated at the plant level, which involves energy use for many different activities. The data base for energy use by activity is also very poor in buildings.

---

* It has been estimated that the overall potential for fuel economy improvements from putting synthetic oils with antifriction additives into both engines and transmissions may be as high as 12% by 1985,[A9] giving rise to a potential 1985 oil savings of some 0.5 million barrels per day.

** G.M.'s expectation is that ultimately the average tire's rolling resistance can be reduced by 33-50 percent relative to its 1979 value,[A10] corresponding roughly to a 10-15 percent improvement in automotive fuel economy and an additional oil savings comparable to that achievable with improved synthetic oils.

Because of the importance of this information for a market-oriented approach to conservation and the relatively low cost of the required data acquisition and analysis efforts, the Administration's apparent proposal* to substantially reduce the Energy Information Administration funding for the collection and analysis of disaggregated energy demand data is particularly disturbing. Instead such low cost but high value efforts should be increased.

Still another "information gap" arises because we know only vaguely how effective various conservation measures are. Projected savings, based on theory, are often inadequate because real world houses and vehicles and factories don't behave as predicted by theoretical models. Because of this problem the government should give high priority to "score-keeping" programs to measure and evaluate the impacts of ongoing conservation efforts. These programs should involve monitoring not just energy performance but also potential side effects of conservation measures. Some examples: moisture buildup and rot in walls and ceilings associated with improper installation of insulation, the fire hazard potential of various conservation measures, and the buildup of indoor air pollution associated with measures to reduce air infiltration, and the safety of small cars. These score-keeping programs would provide both consumers and decisionmakers feedback and thereby enable continuing improvement in the energy conserving efforts.

Inadequate Organization: Even with "rational energy prices" and "perfect information" conservation investments would be inhibited, because there is no well-established industrial infrastructure for providing energy conservation services that would enable consumers to minimize "life cycle" costs at the new higher levels of energy prices. The government could help foster the development of a new energy conservation service industry by removing possible regulatory constraints to market entry (e.g., regulations discriminating against utility participation in cogeneration projects) and in some instances by playing a more active role. Two examples are:

---

*See "Elimination of Excessive Energy Information and Departmental Overhead Activities," page 6-10, in A Program for Economic Recovery, February 18, 1981.

- To expedite residential retrofits what is needed are firms which offer homeowners a "one-stop" energy efficiency retrofit package including: a diagnostic audit, a rank ordering of conservation investments by their cost effectiveness, and an offer to arrange for contractors, and any necessary financing, with a guarantee of the quality of the work. The government could help establish a stable industry of such firms by supporting auditor and contractor training programs and by supporting "scorekeeping" efforts by local public agencies that could measure both the energy performance improvements and potential adverse side effects in statistical samples of retrofitted houses.
- Government could play a similar role in spurring the diffusion of innovative conservation technologies in the building construction industry. A good model of a very successful, relatively low cost venture of this sort is the recent Denver Metro Homebuilders Program sponsored by the Solar Energy Research Institute (SERI) and carried out in cooperation with the Denver Homebuilders Association. SERI solicited proposals from builder/architect teams for the design and construction of passive solar energy conserving houses, for which the training of the architects in passive solar and energy conserving techniques, the designs, and the post-construction performance monitoring, were to be supported by SERI. In June 1980 SERI selected the 13 winning builder/architect teams from among 47 bids. Today 12 of the 13 houses have been completed, and 15 houses have been presold on the basis of these designs. In the first two days of the open house tour of the 12 homes (February 21-22, 1981), the Homebuilders Association estimates that over 30,000 people visited the homes. Key to

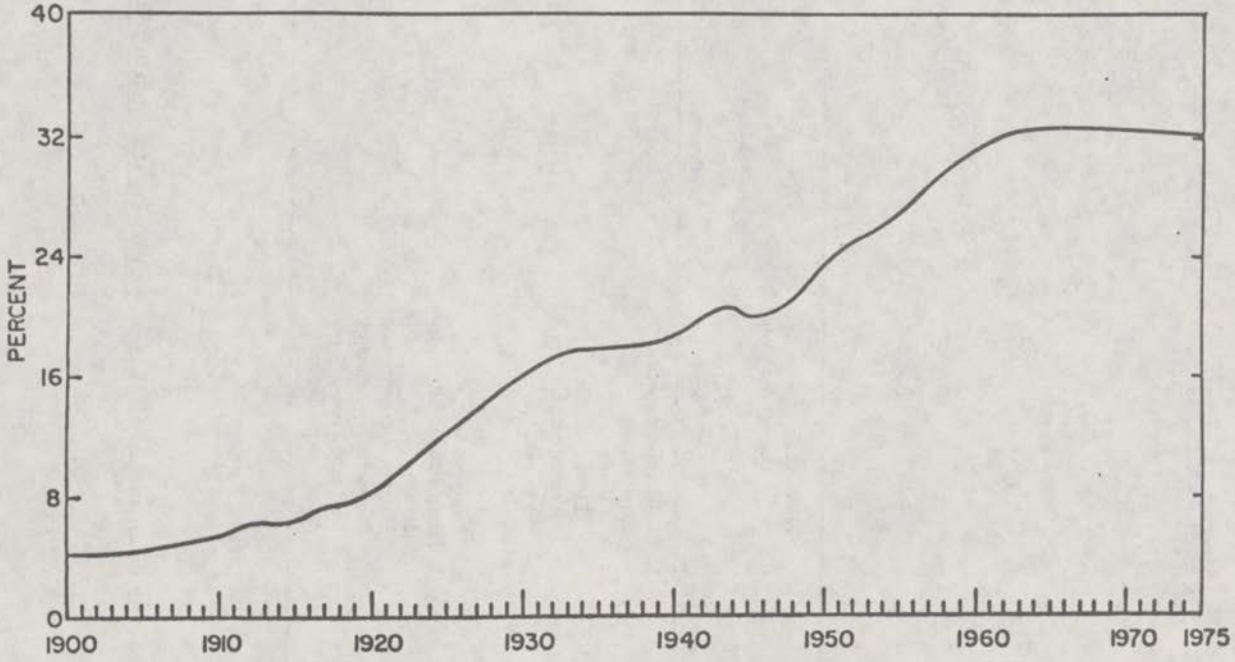
the success of this program is the fact that SERI's role was merely to provide needed information, allowing the builders maximum flexibility in design and construction. According to John Kurowski, a builder who is chairman of the Energy Committee of the Denver Homebuilders Association, this effort and the employed designs will serve as models for the entire housing industry of the Denver Metropolitan area.

Inadequate support for research: The conventional view is that energy conservation is a stopgap measure. One often hears the appeal, "Conserve....till we can build more." Yet with an adequate commitment to research, new conservation opportunities can continue to unfold for decades to come. Figure A4 which shows the evolution of the thermal efficiency of electric power plants in the U.S. from the turn of the century till the present, represents in broad terms the history of our technological efforts relating to energy supply. By focussing enormous resources on the supply side we achieved a remarkable 8-fold improvement in the thermal efficiency of power generation in 60 years; but as this "learning curve" shows, it has become exceedingly difficult to make further improvements. In the area of conservation we are still at the beginning of this "learning curve," as the list in Table A1 of "second law" efficiencies for various energy end uses indicates.

Much of the advanced product development, demonstration, and commercialization aspects of promoting advanced conservation technology can be carried out in the private sector. Government should create with tax incentives an economic climate conducive to such provate sector research and development efforts.

At the same time there is much needed research that the government should support directly because the private sector is unlikely to do so. Some examples:

Figure A4 Average Steam Electric Power Plant Efficiency



Source: Robert H. Williams, "Industrial Cogeneration," Annual Reviews of Energy, 1978.

1199

Table A1 Second-law Efficiencies for Typical Energy-consuming Activities

SECTOR	SECOND-LAW EFFICIENCY (PERCENT)
1. Residential/commercial:	
Space heating:	
Furnace	5
Electric resistive	2½
Air conditioning	4½
Water heating:	
Gas	3
Electric	1½
Refrigeration	4
2. Transportation: Automobile	12
3. Industry:	
Electric-power generation	35
Process-steam production	28
Steel production	23
Aluminum production	13

Source: M. Ross and R. Williams, Our Energy/Regaining Control

- The development of diagnostic and analytical techniques for monitoring energy performance and potential hazards of energy conservation measures.
- Field monitoring and analysis of the energy performance and potential hazards of a wide range of conventional and innovative energy conservation measures.
- Development of hazard mitigation and avoidance strategies for various conservation technologies (development of prototypes of safe small cars, development of particulate air pollution control strategies for diesel engines, development of control strategies for indoor air pollution, etc.)
- Development of an understanding of consumer behavior relating to different conservation measures and conservation marketing approaches.
- Applied research, i.e., fundamental research on topics selected for their technological importance. Friction and lubrication, and combustion of inhomogeneous fuel-air mixtures in internal combustion engines are examples of problem areas relevant to fuel conservation for which new research could provide valuable funds of knowledge on which improved product designs could be based. This kind of applied research, vital to the long term viability of the U.S. industrial base, is sadly neglected in present R & D programs.
- An ongoing assessment of the least cost opportunities for energy conservation in all sectors, updated continually in light of new technological developments and as better data become available on actual energy performance in the field. "Least cost scenarios" can then be used to provide a benchmark for assessing real world performance, as determined from "scorekeeping programs."

76-703 0 - 81 - 30 (6b)

A complementary long-range objective of the energy R & D program should be to provide the appropriate technical manpower for the kinds of innovation needed. Our present technical educational system emphasizes fields which grew out of World War II military research: electronic, nuclear, and aerospace technologies. The schools of engineering have been shaped by federal support of research in these areas. Subjects such as production engineering, process engineering (e.g., for basic materials like steel and paper), and more basic topics like convective heat transfer and lubrication are moribund at most of our universities. A veritable renaissance of skills development and research related to society's basic technology is required.

* * *

The energy conservation policy I have described here involves far more government initiatives than just the decontrol of oil and gas prices. Yet the overall proposed program should be appealing to the new Administration, because if it were adopted it would signal a fundamental change in energy policy - away from the present trend to central planning and toward a greater reliance on market-mechanisms for shaping the course of energy related development. In this market-oriented program the primary role of government would be to try to eliminate market imperfections and to create an economic climate conducive to individual choice. The program should also not be very costly - it involves no big ticket energy projects; it requires far more intelligence than money from the government. Aside from this philosophical appeal, perhaps the most important appeal of all is that any serious plan for economic recovery must involve reducing the nation's retail energy bill. The only way this can be accomplished is to adopt a least cost energy strategy, to ensure that a significant fraction of the nation's total energy budget would be relatively low-cost "saved energy," to offset the staggering costs associated with new energy supplies. There is no other way for the Nation to regain control of its energy system.

Notes and References for Appendix A

A1. The average price of electricity to industrial customers in the third quarter of 1980 was 35.3 mills/kwh, in 1979 dollars (Energy Information Administration, "Monthly Energy Review," December 1980). To estimate the replacement cost for industrial customers, assume (for simplicity) that industrial demand is flat, so that the replacement cost is the cost of electricity from a new baseload coal plant. From note 13, the busbar cost from such a plant in 1979 dollars is 45.8 mills/kwh, corresponding to a delvered cost of 50.3 mills/kwh (with 9% transmission and distribution losses). To this must be added a transmission and distribution cost of 9.53 mills/kwh (see note 5), bringing the total cost, in 1979 dollars, to 59.8 mills/kwh, which is about 70% higher than the 1980 price.

A2. The thirty year levelized busbar cost of electricity from a new central station coal-fired, baseload power plant is:

	(1979 mills/kwh)
Capital Cost[a,b]	17.5
Fuel[c]	22.0
O&M[d]	6.3
	45.8

Notes:
(a) A new fossil fuel power plant burning medium sulfur coal with a scrubber is estimated to cost $940/kw in 1979 $. See ref. 14.
(b) For 50/50 debt/equity financing and a 30 year plant life the annual capital charge rate for utility financing is 0.106. Here a 65% capacity factor is assumed.
(c) The 30 year levelized coal price is obtained from the following DOE projection (see ref. 3) for the price of coal to industry (in 1979 $ per million Btu):

1978	1.34
1985	2.10
1990	2.26
1995	2.36
2000	2.43
2010	2.58

For this price schedule and a utility discount rate of 3.4% per year, the 30 year levelized coal price for the period 1980 to 2010 is $2.26 per million Btu. A modern coal plant with wet lime/limestone flue gas desulfurization is about 35% efficient, corresponding to a heat rate of 9735 Btu/kwh.
(d) From Exhibit 8-4b in Technical Assessment Guide, special report prepared by the Technical Assessment Group of the EPRI Planning Staff, Electric Power Research Institute Report No. PS-1201-SR, July 1979.

A3. Energy Information Administration, Annual Report to Congress 1979, volume 3.

A4. The national average replacement cost for large light and power customers was 5.76 mills/kwh in 1972 (see M.L. Baughman and D.J. Bottaro, "Electric Power Transmission and Distribution Systems: Costs and Their Allocation," Center for Energy Studies, the University of Texas at Austin, July 1975) or 9.53 mills/kwh in 1979 dollars.

A5. The following are estimates of federal government subsidies in support of the routine provision of energy supplies in 1977:

Federal Activities	(million 1977 dollars)
• Low interest appropriations plus tax exemptions for hydroelectric and transmission facilities[a]	290
• Enrichment services[b,c]	180
• NRC regulatory costs[b]	146
Privately Owned Utilities	
• Liberalized depreciation[a,d]	~2000
Publically-Owned Utilities	
• Exemption from federal income taxes[a]	
TVA	130
State power authorities and municipal utilities	80
REA	294
• Tax exempt bond subsidies[a]	260
• Loans and loan guarantees provided by REA[a]	260
Oil and Gas Industries	
• Percentage depletion allowance[a]	
Oil	550
Gas	1150
• Expensing of intangible exploration and development costs[a]	
Oil	740
Gas	460
TOTAL	6540

Notes:
(a) B.W. Cone et al., "An Analysis of Federal Incentives Used to Stimulate Energy Production," second revised report prepared by Battelle Pacific Northwest Laboratory PNL-2410 Rev. II, February 1980.
(b) General Accounting Office, "Nuclear Power Costs and Subsidies," June 13, 1979.
(c) The subsidy for enrichment services is the estimated difference between what the private sector would have charged and what the government actually charged.
(d) The liberalized depreciation allowance for utilities translates into an outright tax savings (instead of just a deferral) for a utility growing sufficiently rapidly or for a utility that is not growing, as long as there is significant general inflation.

A6. Total capital expenditures in energy producing industries in 1977 have been estimated to be (10^9 1977 dollars):

Coal Mining	1.90
Oil and Gas	22.07
Nuclear Fuel Cycle	1.84
Electric Utilities	32.52
TOTAL	58.33

Source: Energy Information Administration, Annual Report to Congress, 1978, Volume Three.

A7. The electricity prices (in 1979 mills/kwh) for various industrial groups were as follows in 1977:

Chemicals and Allied Products	21.1
Alkalies and Chlorine	18.6
Industrial Organic Chemicals, n.e.c.	15.1
Primary Metals Industry	20.4
Primary Aluminum	9.8
All Manufacturing	25.2
Replacement Cost (see note 1)	59.8

Source:Bureau of the Census, "Fuels and Electric Energy Consumed," Annual Survey of Manufacturers, 1977. The prices given in this reference were converted to 1979 dollars using the GNP deflator.

A8. The SERI Solar/Conservation Study, April 1981.

A9. South Coast Technology Inc., "Review of Improved Lubricants," in Automotive Fuel Economy Contractor's Coordination Meeting Summary Report, April 24-26, 1978, p. II-A-19, U.S. DOT Report No. DOT HS-803 362.

A10. TRW, Energy Systems Planning Division, Appendix: Data Base on Automobile Energy Conservation Technology, p. 63, Draft, Dept. 25, 1979.

Appendix B

Electrical World, January 1981

French breeder feels hard heel of economics

As construction proceeds on time on the world's first commercial fast-breeder reactor in southwest France, the future of French breeders hangs in balance as hard economic questions remain unanswered. Mainly, the question presently is the low price of uranium and the overly high price of breeders.

In late November, the French-led European consortium NERSA completed the installation of the concrete roof slab over the main reactor vessel of the Superphénix, a 1,200-MW sodium-cooled breeder at Creysmalville. The rotating plugs on the roof slab were to have been installed this month or next, with the main reactor-vessel components added through 1981.

If all goes well, says the state-owned Electricité de France (EdF), the unit will go critical in late 1983.

In the meantime, a feverish effort is under way in the French nuclear industry to cut breeder costs. Superphénix is costing consortium members about 5.6¢/kWh, or approximately the same as a French coal-fired plant. Oil-fired plants, no longer being built in France, would cost 8¢/kWh, and PWRs (pressurized water reactors) close to 3¢/kWh. EdF's goal is to cut breeder costs to a level of just 20% more than the cost of a PWR. EdF has directed the French breeder manufacturer Novatome to report by the end of March details on how or whether this can be done.

The two major cost-cutting objectives are the reactor units themselves and breeder-fuel reprocessing. It is clear that savings can be made by building the next reactors in pairs so that two or four can be ordered at a time. Research is focusing on reducing quantities of both steel and concrete. In the second sodium circuit, pipe lengths will be shortened wherever possible. And if fuel assemblies can be shortened even slightly, that would translate into significant core-and reactor-building size reductions.

Such "shrinkage" measures would enable future Superphénix units of 1,500 MW to be built in structures virtually the same size as the 1,200-MW Superphénix, officials believe.

In fuel reprocessing, the French hope to profit from experience gained from handling irradiated fuel from the 250-MW Phénix breeder, the prototype at Marcoule, France. French Industry Minister Andre Giraud says the next pair of breeders, if built, would almost certainly be sited near the Phénix. Plans call for building a reprocessing plant in the Marcoule region specifically for breeder fuel, thus saving transportation costs as well as lessening chances of fuel diversion for illegal purposes. With such ongoing efforts, it's evident to many observers that the French government will pursue breeders whatever the cost.

Despite EdF's official insistence to the contrary, "the decision to build the next two breeder units has already been taken" says one source in the French trade union Confederation Francaise Democratique du Travail (CFdT). This trade union opposes breeders because, it claims, they pose even greater safety risks than PWRs, they cost too much, and energy-conservation measures should obviate their need.

A very negative view of France's breeder future was painted for some 300 people at the First Annual Utility Conservation Conference in New Orleans last November. According to James L. Cochrane, special assistant for policy support in the Central Intelligence Agency's Office of Economic Research, the French breeder program faces strong economic problems that portend a bleak future for its survival, much less its expansion—contrary to what is presented in the popular and trade press. He sees the French government pulling back on the program.

But the government has said that breeders must account for 15% of the nation's nuclear power by year 2000. That means about 12 1,500-MW units will have to be built in the 19 years.

There is no plutonium-producing problem in France, French officials emphasize. With the major PWR program, La Hague reprocessing plant, and perhaps a small quantity purchased outside the country for the initial breeder fuel, plutonium will be ample. Thus, they claim, French-generated plutonium will enable a breeder to be built every year from 1990 onward.

The key question is whether breeders will remain ruinously expensive. With oil prices still on the rise, the picture may change rapidly. At the same time, the world uranium price continues to fall—a factor that weakens the argument that breeders are valuable as a way to conserve uranium. Says a NERSA official, "The more that uranium prices fall, the harder it becomes to pursue the breeder program—at least in the short term." ■

Mr. YATES. I want to express the gratitude of the committee to all of you for coming here today and giving us the testimony.

How do you want to proceed?

First let me thank Mr. Williams. Thank you for making the book available to me, I leafed through it last night and I thought it was very good. I was particularly interested in your 65 mile per gallon car but in view of the stories we see in the papers these days about restrictions or regulations on where the automobiles are going I doubt we are going to see your 65 mile per gallon car for some time to come, unfortunately

How do you want to proceed?

Why don't you tell me what it is you think the committee should know. Abstract you statements or state what the principles are or what you think should be done. What do you want our committee to do?

Mr. THOMPSON. My name is Grant Thompson and I am with the Conservation Foundation here in town.

I think we can probably take it as a given thing, Mr. Chairman, that conservation is a good thing. We have heard it lauded as motherhood as being clean, cheap and fun and yet we have seen a sort of Catch-22 presented to us with the Office of Management and Budget saying to us, if it is so good, why isn't it just happening for itself, why aren't people doing it? Well, in fact there is a good deal that is happening and I think Mr. Gibbons' testimony was right on point when he said that the higher prices have done a good deal for us and I think without those higher prices we would be in worse energy shape but it seems to be to justify conservation and to put all the burden on the market as the present administraton is suggesting we do with rather small subsidies for home owners who make a certain list of home investments in conservation. It assumes a great deal, as you said, about what the market can do but is also assumes something more fundamental and that is that there is a market. I had freshman economics some—too many years ago even for me to remember.

Mr. YATES. You don't know how many years ago one could take freshman economics, Economics I.

Mr. THOMPSON. I look at the numbers on Samuelson now and they are approaching in editions my age.

As I remember, we really had to have a market system. We had to have two sides of the market, the seller who received the rewards from marginal production up to the point that marginal cost equaled marginal value and on the other hand the buyer who paid the full cost of those who paid the marginal price and if you had that why all of the very undoubted benefits of the market flowed out of it. It seems to me that what we have heard lauded as the market around town and in the newspaper recently is very interested in those reward to the seller and rather less interested in facing up to the other half of the market which is that the buyer ought to pay those full marginal costs.

You see, for instance, in both natural gas and electricity a drawing away from the full rigors of the market. In natural gas unless Congress were to go for immediate decontrol of both new gas and old gas it will be the early 1990's before we have anything approaching the market clearing price in natural gas. In electricity I

have seen no significant moves in any State to move to full marginal cost pricing for all consumers. Thus, to talk about a market pulling forward enough conservation seems to me to suggest we are asking something which does not exist, to do something which is very hard. It is an important point.

In homes, for instance, only about 20 percent of the energy that is used comes form oil, the other 80 percent is natural gas and electricity and as I pointed out both natural gas and electricity are far below their market clearing price.

Another thing that I learned in freshmen economics was that the market would not do it all. We don's expect the market to provide us education, we don't expect it to provide us national defense, we don't expect it to provide us lots of things. It seems to me there are two crucial things that the market does not provide us that underline the Federal involvement in conservation. The first is research and development and the second is information programs. You know, you look at where we are now in R&D and conservation in this country versus where we were seven years ago and we have some enormous strides. It gives you a great deal of hope in this country, the ability to approach hard problems with vigor, drive and cleverness.

You know, 10 years ago we would go to international meetings and there would be the research on buildings that was being done in Sweden and Germany. Did we have anything? Of course not. Now we have the center at Princeton Universtiy that has done its Twin River research, it has helped us to understand how the heat flows work in a certain kind of home and for the first time we can say we are beginning to understand what you ought to do, what the home owner ought to do, what the builder ought to do. That is federally supported research and I hope Bob Williams will talk about it.

We have seen at Lawrence Berkeley Laboratory their program on windows—understanding windows not as being simply a nice view of the Capitol but also as real sources of energy to us and very simple things you can do and some things that are applied technology that we can do with windows, and I hope Art Rosenfeld will tell you something about that. We have seen at Oak Ridge National Laboratory the work on appliances—the heat pump water heater, for instance—and I hope that Eric Hirst will testify about that.

More fundamentally we have seen analytic tools developed under Federal funding—analytic tools that if they are allowed to come to their fruition will permit builders to go to either themselves or with the help of not very highly trained professionals to analyze a building, speak with some confidence about what the energy builds are going to be. Now would the market have brough all this R&D forward? I don't think so.

I don't think there are very many people who even in 1981, glass manufacturers, are interested in high technology windows. I don't think that if there are appliance manufacturers interested in high technology, water heaters, they are probably not interested in them as fast as the nation ought to be interested in them. There has been superb work done in R&D. We in my view are at a real takeoff point in this country on research and development and

conservation, somewhat like the takeoff point we were some decades ago on our electronics, on space craft, and we have a chance either to knock it dead in the water and go back and it will come back. Mine conservation is such a good idea; the question is do we want to set ourselves back five, eight years or do we want to keep on the upward climb?

Mr. YATES. It is really the only gain we have in the energy economics.

Mr. THOMPSON. You cannot get synthetic fuels in the next two decades, you cannot get coal conversion, you cannot get solar in the next two decades. In the next two decades I would not be so certain that we could not get another Iran, Saudi Arabia falling. It is the only game in town and it is a game that Americans are beginning to play well and if the Federal Government pulls the props out we are going to lose it.

Finally, the consumers need information. You know, it is the very grease of free market and I learned in that freshman economics class.

Mr. YATES. Didn't you ever take other courses?

Mr. THOMPSON. No. I took that one but I had to take it so often that I remember it well. You know, those of us who can't do economics go to law school.

Mr. YATES. Right.

Mr. THOMPSON. And there you see some very good Federal programs as well. You see the Residential Conservation Service and it is going to be knocked out. You know, I have been studying conservation for a long time and yet I look at my own house and I think, now what really makes sense? I know that I ought to tighten the windows and that I ought to do this. It would be enormously helpful even to somebody who has read as much as I had to have a professional I trusted come in and I think that the RCS is the beginning of getting that kind of credible information based on good research out.

We see for small industries the need for information. We know there is a great view in this country that we have that industry can take care of itself, that the market will work best there. Well, that certainly is true of the du Ponts and of the IBMs of this world, but we think of the thousands and millions of small businesses—the laundries, the bakeries, the small shops and so forth—who have no research capability.

The information programs that have been funded by the Department of Energy have been enormously useful; cooperative agreements with the building owners, management associations, BOMA trying to help multifamily dwelling owners learn what to do and how to teach their tenants. Pamphets and easily understood books have been done for dry cleaning and laundry operators and bakeries to learn how to do things. That is the kind of information which is useful.

The appliance testing and labeling again is enormously useful. If one wonders how useful that kind of information is, one ought to look at both the labels for automobiles and how much they have done in pushing us toward efficiency and in a nonenergy field the labels for tar and nicotine cigarettes, how they have fundamentally changed the market pressures in that industry. That kind of infor-

mation can help drive the market, help the market work, and it seems to me if we knock the Federal Government out of it, we won't get it.

In closing, it seems to me in a time of market discussion that there are two phrases that I have heard. One is the phrase "Investment" and the other phrase is "Hedging your bets." It seems to me that energy conservation is a Federal investment in this country, it is an investment in as we reindustrialize over the next 20, 30 years to continue to be a great economic power in the world. There is an investment in doing it right and it seems to me that all of us are interested in making that investment and that the Government has a role in it.

Second, there is the question of hedging your bets. I am told that investors don't put all of their money into one stock, they try for some balance. I think as one looks at the Department of Energy budget as it has come forward from the administration and to try and find balance it does not look to me like a good hedging strategy. It seems to me that we need particularly in conservation and maybe in some of the other places to put some of that money back that has been taken away so that in case one of those currently favorite alternatives does not pay off we will have something to fall back on.

Mr. YATES. Thank you very much.

Mr. Hirst, do you want to go next?

Mr. HIRST. The administration proposes to cut the DOE conservation——

Mr. YATES. Incidentally, the subcommittee today retained $6 million for MHD. Weren't you here?

Mr. HIRST. I am from Oak Ridge.

Mr. YATES. Oak Ridge is doing work in MHD too, though, isn't it? Not in your field, you're nuclear. Go ahead.

Mr. HIRST. Let me start over.

I am Eric Hirst in the Energy Division at the Oak Ridge National Laboratory. I think the issue that faces you has to do with the administration's proposal to cut the DOE conservation budget for next year by about three-fourths. The rationale for that is quite simple: the higher fuel prices that will occur through deregulation will insure that market forces swiftly move all sectors of the economy towards appropriate levels of energy efficiency. Unfortunately, life isn't that simple.

I think there are two key issues that undermine that administration stance. The first concern is market imperfections and the reason is that the normal workings of a free market system won't yield optimal levels of energy efficiency, and both Grant Thompson and Jack Gibbons talked about some of the issues that occur there. The second reason is that there are Government programs at work that seem to be paying off benefits to the individual participants and to society in general.

What I would like to do is give a couple of specific examples for both of these issues, the market imperfections and also the successful Government programs. Jack Gibbons before talked about the problem of new home construction where the builder is trying to minimize first cost and is not concerned about the subsequent operating cost which, however, the homeowner is concerned about.

A group at Oak Ridge looked at the construction practices in 1976 at 10 different cities across the country in terms of insulation levels, storm windows and storm doors and so on and computed the implicit discount rate, what interest rate were the builders implicitly using in how well to build these homes and they found that the interest rates used and the fuel prices that prevailed then were very high, on the order of 50 to 100 percent at a time when mortgage rates were about five, ten percent so there is an enormous discrepancy between what would be the socially optimal level of insulation in energy efficiency in homes and what the builders were then putting in.

A group at Lawrence Berkeley Lab looked at the same kind of data for 1979 and indeed during that three year period construction practices had improved; houses were better insulated and tighter. However, fuel prices had risen so much during that three-year period that interest rates actually rose; that is, the market was even further from equilibrium in 1979 than it had been in 1976 which suggests that letting fuel prices rise is not by itself going to correct that kind of a market imperfection. The builders face different constraints and concerns than do the homeowners and both parties lack the adequate kinds of information and ability to process information to bring that interest rate down to a more socially desirable level. So the consequence is that we have much leakier homes than we need to have and we are using more energy than would be socially optimal and economically optimal.

The second barrier concerns existing buildings. A group of the Oak Ridge associated universities audited 48 hospitals in four different States over the last couple of years and the amount and kind of energy savings that they found in these hospitals was absolutely remarkable. Energy savings of from 10 to 15 percent that required no capital cost whatsoever—zero cost changes like lighting, thermostat settings and so on that could save enormous amounts of energy.

Mr. YATES. Setting at what, 60 degrees or something?

Mr. HIRST. I don't remember the specifics. I could look it up and can send you more material on that if you want it.

What was striking was the enormous energy savings that were available at zero capital cost and also at very low capital cost. If you look at all of the measures that they had recommended at all 48 hospitals, it would cut energy use by about 20 percent or a little bit more at these hospitals and it would pay back that investment in less than a year. So here is a remarkable opportunity that was not being taken advantage of and again I think it is because the hospital administrators first of all had other things to worry about like the doctors and the patients and secondly did not really have the information that they needed to know what kinds of things to do and how effective they would be. Again here is barrier that high prices alone won't dissolve because these audits were done in the last year when prices were pretty high.

Let me turn to the second issue which has to do with whether or not Government programs actually work and I would like to give a couple of examples here. The first is a low cost-no cost program in New England which DOE ran in the fall of 1979 that was aimed specifically at reducing all consumption among the 4.5 million

households in New England by sending them low water flow restrictors for shower heads and brochures that described eleven no or low-cost action.

The evaluation that was conducted by a couple months later yielded an estimated annual saving in fuel bills of about $70 million a year and a direct savings of 1.6 million barrels a year. Remarkable oil savings and dollar savings. Using that data one can calculate that the benefit cost ratio was remarkably high. Roughly speaking, every dollar that the Federal Government invested in that program yielded a savings to society of more than $20, the benefit cost ratio of 20.

Another example is one that Grant mentioned, the Residential Conservation Service which is the Federal program that requires all major gas and electric utilities to offer home energy audits to their customers. DOE developed a single model audit and a single model auditor training program that yielded tremendous economies of scale.

Rather than having hundreds of utilities, State energy offices and private firms each develop their own procedures at enormous expense, DOE could do it once. DOE could take sufficient resources to do a good job of conducting, developing the audit, having it field tested and documented and then well disseminated and that way all of these utilities and energy offices and so on can adopt the audit if they want or if they want to modify it they can or they can even reject it but they have this resource available that was developed by the Federal Government that otherwise would have not existed.

The third example I want to give is the heat pump water heater that Grant mentioned which I think is a very good example of a successful R&D program and how the Federal Government can exert tremendous leverage in the R&D area. DOE spent less than $1 million to sponsor the development of an electric heat pump water heater. This is a device that takes up not more space than a conventional residential electric water heater but consumes only half as much electricity. It costs about $500 more and depending on local fuel prices and how much water you use, it would pay back in lower fuel bills in anywhere from one to four years.

Because of the DOE effort to document and domonstrate this water heater and thereby reduce uncertainty from manufacturers, four different companies now produce and market this system and it is likely to have, I think, very high customer acceptance and to save a lot of money and energy for consumers. It probably would have been developed eventually without DOE involvement but DOE's catalytic action really served to hasten that process, to greatly accelerate the R&D and the commercialization and availability of this very effective technology.

The group at Oak Ridge did cause some work last year for DOE looking across the entire DOE conservation budget and they tried to estimate the energy savings that might occur if these programs were implemented as proposed as of last year. They calculated that the savings would be about three quads in 1985 about 13 quads in the year 2000.

Energy consumers in all sectors would save about $400 billion between now and the year 2000. About half of that reduction in

fuel bills would be offset by the capital cost of improved equipment and efficiency but these benefits are in addition to those that normal workings of the marketplace would provide, they would be quite substantial. If we assume that there is some value to oil beyond that which consumers get themselves and if we say that that social value of oil is about $10 a barrel, then the value to society beyond the direct benefits is about $50 billion over the 20 year period, a benefit that is in addition to those that the consumers directly obtain.

In conclusion I think it is clear that to a large extent conservation actions will occur through the normal workings of the marketplace particularly if Government actions are taken to deregulate all energy prices as Grant has said and to equalize subsidies across all energy sources.

However, there are several obstacles to an energy efficient society and therefore I think we need Government programs to help overcome these obstacles. There is some evidence from evaluation of some Government programs and from this kind of analysis of future program effects that the benefits of these Govenment programs is and will continue to be quite large.

In addition, these programs serve as a hedge against uncertainty. We really don't know what the future course of fuel prices is, what OPEC will do, how much new oil and gas will be discovered, nor do we know the performance and cost of new energy technologies, both on the supply and the demand side.

Mr. YATES. You can tell what OPEC is going to do though, can't you?

Mr. HIRST. Well, they are going to raise prices a little but we don't know by how much. All of these things are so uncertain especially in conservation programs, what Grant called hedging our bets, through financial incentives, standards, regulation and R&D represents an important national insurance policy, a policy whose premiums are quite small and whose payoff is likely to be quite large.

Mr. YATES. Thank you.

Mr. BULLARD. Yes.

I think we have heard you either believe that the market works or you believe that it does not work and we have heard some evidence here there is a lot of evidence showing places in the conservation area where the market actually does not work is well documented and supports the need for some Government activity in that area. But suppose for a moment the market did work and we had instant decontrol and that Stockman is right. If we believe the market works, you have to believe that the market will respond to wrong price signals just as easily as it responds to correct price signals.

As Grant pointed out, natural gas prices are still controlled and will be for 10 years probably unless it is just accelerated even five years. That means that we need to do something in the next five years at least on conservation. Electricity prices will probably never be decontrolled at the present rate. PURPA was a feeble attempt to force the States to at least look at the issue but a Mississippi judge just threw that out saying that the States have the right to subsidize electricity prices as much as they want. So

long as States are doing that a quarter of the capital investment in the United States going into energy supplies is being misallocated and it is starving the energy-consuming industries who need the capital to reindustrialize to invest in conservation.

The next point is on tax policy. Current tax policy has a built-in bias toward energy waste. You get a 46 percent tax deduction for every dollar that you spend in your business buying energy, you get 46 percent of it back. If you decide to invest in conservation to save that energy, all you get is the 10 percent tax credit plus the present value of some depreciation and that turns out to be a lot less tax advantage than just continuing to waste energy.

Mr. YATES. What do they do in other countries in Europe? What does Germany do?

Mr. BULLARD. I am not sure whether they have a 46 percent marginal tax rate on one side and what they have to balance it in the way of depreciation and things like that on the other side. In the United States you would need a 24 percent tax credit to balance it.

Mr. YATES. you are arguing for incentives to make businesses more energy efficient.

Mr. BULLARD. That is in conservation programs.

Finally, the national insurance policy argument is not just regular insurance where you take your chances. If we have another oil embargo or a sharp price hike in energy, that triggers a recession immediately. We have seen that, we have ample evidence of that. So the conservation program has insurance benefits because it is doing its best at precisely the time the rest of the economy is doing its worst in the middle of a recession, so it does have that unsymmetrical insurance benefit.

Now instant decontrol probably is not going to happen. There is nothing about oil price decontrol that is going to make a builder make a gas or electric home more efficient and instant decontrol of the electricity in gas prices which are half of retail energy sales in this country. Instant decontrol would have tremendous impacts, it would raise prices about $100 billion or more. It would transfer $100 billion per year from the consumers to producers of energy. Now that is one heck of an energy conservation incentive if it occurred but it is frankly inhumane to clobber inflation stricken American families with a $2,000 per year instant decontrol. Oil and gas price decontrol combined would amount to $2,000 per family per year and that is not even adding on electricity price decontrol.

Mr. YATES. What is the basis for your estimate?

Mr. BULLARD. Just look at the difference between regulated gas prices and what we are paying for imported gas or distillate oil on the world market. Multiply by the quantity and you get about $100 billion a year for gas alone.

Now as that trickles on down through industry and everything to consumers that is a heck of a jolt and that is why, I think, Congress put us on a gradual decontrol path. As long as the market is out there reacting to those wrong price signals you have to have some presence on the other side, whether it is auto fuel economy standards or building energy performance standards or appliance standards or something in order to get capital investment flowing

in the right direction: otherwise, we are just going to be putting our capital to very inefficient uses.

Now I think at the very minimum the administration ought to be forced to prove that the market is working and the only way they can prove that the market works is to do the analysis of the type that is now bring done to support the RCS program, the energy audits, the building energy performance standards, and the appliance standards. All the evidence is not in yet and they can argue that the data we have is anecdotal and maybe it justs picks out a few market imperfections but if they want to make a solid case they have to continue that analysis but they propose to wipe it out in the name of wiping out the regulations.

I would propose that they at least continue that analysis so they can support Stockman's claims and at the same time look at some alternatives to regulation. There is nothing sacred about appliance standards or building standards. Once you learn how to measure the energy use of a building or an appliance, you can label it, you can offer a tax credit for manufacturers who exceed the standard or put a guzzler tax on those that fall short and you can rig the level so that the guzzler tax revenues exactly equal the income tax credit so there is no drain on the Federal budget but you cannot do that until you have done the analysis and developed the testing procedures and that is what they propose to cut. I really think that there is something to this and it is a little bit protectionist, too, because only products made in America can qualify for an income tax credit while imports as well as domestic products would qualify for the guzzler if it is done at the retail level.

Finally, we have been talking all the way up and down the road here about applied research. I would like to say a word about the basic research which really lays the foundation for American industry's ability to respond and compete in the post-embargo world's economy. We are sitting here in the United States with a trillion dollars' worth of obsolete factories, obsolete vehicles, and obsolete buildings. It is no wonder we are unable to compete effectively in a post-embargo world.

If we sit back and continue to have this lack of market discipline in the form of continued price controls, it is not going to pay any American refrigerator manufacturer to do research on how to build more efficient refrigerators because he is serving his home market first and five years from now we could end up with the market glutted just like the auto and consumer electronics market are glutted now with products from abroad where they already designed them for their home market which runs on higher priced energy. I noticed that in the building area alone and if there is any industry in the United States it is the people who build commercial buildings and individual residences don't have the wherewithal or the incentives to do the basic research on fundamentally how does energy transfer around a building like this, particularly a building made out of advanced materials where the conductive and radiated heat transfers are just very poorly understood.

Mr. YATES. Is anybody doing that annually?

Mr. BULLARD. The only people doing it are the building systems program at DOE and that is slated for fiscal year 1982 it will be one-third below its proposed level. If there is anything that fits

with the Reagan philosophy, it is let's do the basic research so American industry can respond to these rapidly changing external economic conditions. There is a little more detail on that in my testimony. We are running short.

Mr. YATES. Mr. Williams.

Mr. WILLIAMS. My name is Robert Williams. I am with Princeton Unversity Center for Energy and Environmental Studies.

Mr. YATES. You're the house doctor.

Mr. WILLIAMS. The house doctor.

The two things that I would like to discuss in my testimony are first the overall level of the budget for conservation and research and second the need for balance in the overall DOE program. As far as the overall level of the budget for conservation is concerned, I think that you can probably sustain taxing the budget perhaps 30 percent or so and the programs could still emerge stronger than it is today if the cuts were made judiciously and if there were an appropriate shift in the priorities; that the proposed cuts and the magnitude of the cuts, however its input, of course would need to be programed in a shambles and the country unable to respond in the near term or the long term of the energy crisis.

What I would like to do is just focus on a few examples of the proposed cuts and show how they are in a real sense very shortsighted. One of the most important aspects of the program that everyone else here has alluded to is a whole host of information-related programs. I think it is one thing to have blind faith in the market and it is quite another to blind the market and that is exactly, I think, what we have done with the loss of a number of very important information-related programs. The four types of programs that I would like to discuss are labeling programs that have already been alluded to here for energy intensive items, score-keeping programs, information transfer—embryonic energy conservation service industry—and programs toward targeting conservation opportunities.

In the case of labeling, the most familiar items there, of course, are the car, the buildings, the appliances but there are other items as well and one that is not quite so familiar is in the transportation sector where the Department of Energy's transportation system's utilization division was going to carry out some work with regard to the labeling of lubricating oils and tires for the automotive sector and these are particularly important because if all consumers were to use the most efficient lubricating oils in their cars and the most efficient tires available on the market today the overall level of fuel savings would be on the order of half a million barrels of oil per day and would save the Nation some $7 billion a year and this is for an investment in a program that may be on the order of one or two million dollars.

Mr. YATES. How do we get the consumers to do that?

Mr. WILLIAMS. What is important, I think, is to have the information before the consumers, to put the labels on these oils and on these tires so that people can make these kinds of decisions as to the kinds of savings that they can expect with their investment.

Another kind of program is information that is very important, it has to do with information transfer to the energy conservation service industry and this is important because of the fact that the

energy conservation service industry is largely nonexistent in this country. It is especially absent in the case of the multifamily and small commercial building sector and this is also a sector where markets work especially poorly because life cycle cost minimization is quite difficult where the person paying the fuel bill thinks different from the person who makes the investment. Despite the importance of programs of this type the administration proposes to zero out the budget for the residential/commercial retrofit program which would involve, among other things, the training of about 12,000 auditors for multifamily and small commercial buildings.

Scorekeeping is another very important part of a conservation program and the reason this is so important is that the energy conservation activities are so varied, so diverse, that it is really quite difficult to know a priori how successful different programs are going to be and because of this problem Government should give really high priority to scorekeeping to see how well we are doing with the programs in effect and I think this is going to be especially important to see how well the market-oriented programs of the administration are going to work. The administration's proposal to zero the budget for the analysis and technology transfer program with the buildings and community systems program is an important scorekeeping effort of this type and this shows the failure on the part of the administration on the importance of scorekeeping to even a market oriented conservation policy.

The fourth type of information program that is very important is those that are aimed at targeting conservation opportunities. The Nation's energy data base must be sufficiently disaggregated by important energy uses to determine targets of opportunity for the most cost effective investment and also to identify the most sensitive groups as far as rising energy cost is concerned. For example, one very important effort in this regard has been the residential energy consumption survey of the Energy Information Administration. In drawing upon this particular survey, for example, I calculated the other day an estimate of what the average low income household spent on energy in 1980, households with incomes less than $5,000, and it is on the order of 28 percent of income is spent on energy in those houses compared to about 10 percent in 1980 for the average household in the United States.

It appears that much of this activity is going to be eliminated in the budget cuts for the energy information agency; for example, the industrial boiler survey which would for the first time give detailed information on industrial boilers has been established and this is a very important program for targeting opportunities for industrial cogeneration as an alternative to central station power generations information would be badly needed by public utility commissions. Going beyond information programs of major area for market failure, of course, is research and because the private sector has really quite short-term goals and it is difficult for the individual firms to capture many of the benefits of fundamental research and yet there are very significant budget cuts in this area.

What is particularly distressing is the zeroing of the budget for the industrial energy programs sector. With the stroke of a pen the Government is losing the capability to understand the long-term research needs of the industrial sector which is valuable in sustain-

76-703 0 - 81 - 31 (6b)

ing the U.S. industry, making it competitive in the world markets in the long run.

Finally, of course, the government should do much more with regard to protecting the poor. I indicated how high the fraction of the budget of poor people is spent on energy at this particular time. The transferring of the weatherization program to the Department of Housing and Urban Development's block program I think is something that should be looked at very carefully.

Now I would like to turn to the second part of my testimony which involves the need for balance in the overall DOE program. It appears that unlike conservation the fate of nuclear power is not being left to the invisible hand of the market. What is particularly disturbing here is the $737 million that is targeted for the breeder commercialization program.

In this area I was involved between 1976 and 1979 in an assessment of the breeder reactor program, the Ford Foundation sponsored project at Princeton, and we found that the breeder reactor was not likely to be economically competitive with tuned up versions of today's reactors over the next hundred years and in fact recent evidence suggests that this is true not just with the U.S. program but elsewhere. For example, a recent Electrical World article, Electrical World being the trade journal of the electric utility industry, shows that the cost of electricity from the much touted French Super Phoenix plutonium breeder reactor is nearly twice as large as that from the pressurized water reactor and, according to Electrical World, James Cochrane of the CIA's Office of Economic Research feels that

> . . . the French breeder program faces strong economic problems that portend a bleak future for its survival, much less its expansion, contrary to what is presented in the popular and trade press . . .

It appears that President Reagan, in pushing the breeder, is following the lead of President Nixon, who was persuaded by the aircraft industry and the Department of Transportation to develop the SST, despite the fact that both major reviews that he commissioned of the SST expressed doubt that either the U.S. SST or the British-French concorde would be able to compete with subsonic aircraft. We all know what happened to the SST program and to the concorde. Of course ultimately the market will determine the fate of the breeder and the answer to the question which was asked by Le Monde just four years ago, 'Is the Super Phoenix a Nuclear Concorde?"

Mr. YATES. How did they answer the question?

Mr. WILLIAMS. They just asked the question.

Mr. YATES. They sit on this side of the table.

Mr. WILLIAMS. I think in light of the need for austerity in the overall budget, the ill-conceived nature of many of the proposed cuts in the conservation budget and the faulty rationale for the breeder program it is desirable to seek a much more balanced DOE budget, perhaps something with roughly uniform cuts in all major DOE programs but approximately the same overall budget level proposed by the administration.

Mr. YATES. Good. Thank you.

Gentlemen, thank you very much.

Mr. BULLARD. Thank you.

Mr. THOMPSON. Thank you.

RESIDENTIAL AND COMMERCIAL

WITNESSES

LEX HESTER, DIRECTOR, FLORIDA ENERGY OFFICE
GARDNER McBRIDE, BUILDING OWNERS AND MANAGERS ASSOCIATION
ART ROSENFELD, BERKLEY LABORATORY

Mr. YATES. Residential and Commercial. Mr. Hester, Mr. McBride and Mr. Rosenfeld.

I want to thank you gentlemen for coming in and giving us the benefit of your testimony.

All three statements may be made a part of the record.

[The statements follow:]

1220

Testimony of

Lex Hester

Director
Florida State Energy Office

on behalf of

The National Governors' Association

Before the

Subcommittee on Interior and Related Appropriations

Committee on Appropriations

U. S. House of Representatives

April 8, 1981

Mr. Chairman, Members of the Committee, my name is Lex Hester and I am the Director of the Florida State Energy Office. I appreciate the opportunity to testify before you this morning on behalf of the National Governors' Association.

The Governors, as you are aware, met in Washington in late February for their annual meeting. The focus of this year's meeting was on the Administration's proposed budget cuts. The Governors strongly recognize the problems in our economy at this time and support reductions in the budget. Support for budget reductions, in general , was reaffirmed in a resolution adopted by the Governors at the meeting.

At the same time, the Governors set forth certain priority budget items. In the energy area, rapid price increases and recurrent shortages of oil, natural gas, electricity and gasoline are of great concern to the Governors. Two priority areas were stressed. Governor Graham, Chairman of the NGA Subcommittee on Renewable Resources and Conservation, outlined the need for continued funding of the core state energy conservation grant programs before the 23 Governors present at the Committee on Energy and Environment. (The State Energy Conservation Program (SECP) and the Energy Extension Service (EES)). Governor King of Massachusetts offered a resolution urging full funding for the Low-Income Weatherization Program and maintaining adequate funding for the Low-Income Fuel Assistance Program. An amendment to existing NGA policy was adopted by the Committee and subsequently by all the Governors to this effect.

In the energy and environment area, the Administration is proposing that twelve out of the fifteen state grant programs be eliminated. Of these cuts, the Governors have chosen to push only for continued funding for these few programs. The Governors, recognizing the need for budget cuts, are willing to accept some cuts to the state energy grant programs, but not <u>total</u> elimination.

The Governors are advocating that funding for these programs be maintained for the following reasons:

- First, it is in the national interest that we continue to promote conservation as a way to help restrain inflation generated by rising fuel costs resulting from oil decontrol and proposed natural gas decontrol. Estimates of the effects of energy prices on inflation in individual states are as high as 5 percentage points. The costs of the core state energy conservation grant programs (SECP and EES), the Weatherization Program, and "Schools and Hospitals" programs together represent less than 1/100 percent of the total 1981 budget, causing little if any, inflationary effect, while the programs themselves have an inflation restraining effect.
- Secondly, although rising energy prices have increasingly motiviated companies and individuals to seek energy conserving methods, many consumers do not have either the front-end funds or accurate information in order to actually undertake energy saving actions. In a world of rapidly rising energy prices, states and local governments have served as the primary delivery mechanism for information and technical assistance necessary to consumers in taking these energy saving actions.
- Third, low-income individuals will feel more intensely the burden of rapidly rising energy costs. Low-income people now spend an average of 30 to 40 percent of their income on direct energy costs, while the middle income spend only five percent. Conservation is the most effective method of relieving this burden. The state conservation programs target assistance to these low-income groups. States are moving to couple home energy audits under the Residential Conservation Service program with the delivery of low-income weatherization.

o Fourth, it is crucial to the health and safety of the people of this nation that the ability at the state level to deal with major oil supply disruptions be developed and maintained. The federal government is currently unprepared to cope with a major oil supply disruption. The state set-aside program has been discontinued with the elimination of the allocation and price control system. The Strategic Peteroleum Reserve, the most important safeguard we have, only has 120 million barrels of crude oil stored -- only 20 days of oil imports. The Gasoline Rationing Program will not be ready for implementation until next fall, if then, and likely will be of limited value.

States have been working over the past year and a half to put into place a strong energy emergency response program. Yet, now at the most crucial stage of development, the Administration has proposed rescinding funding for the Energy Emergency Conservation Program (EECA) for FY 1981. In addition, the states no longer have the state set-aside program, and are facing the loss of personnel who are familiar with the supply/demand patterns in the state and the distribution system and who can, if the need arises, act in an expeditious manner.

Without the states as a first line of defense in a national crisis, we will be no better prepared as a nation than we were in the embargo of 1972, only the next time the shortage is likely to be far more severe.

In the remainder of my testimony, I will briefly describe to you the core state conservation grant programs and provide specific examples of state measures undertaken by the states under the federal grant programs.

The Core State Conseervation Grant Programs

The State Energy Conservation Program (SECP) (established by the Energy Policy and Conservation Act of 1975 (EPCA) and the Energy Conservation and Petroleum Act of 1976) and the Energy Extension Service (EES) have been viewed by states

as the core energy grant programs. Together, SECP and EES have established the states as the basic delivery system for a national energy conservation program and have provided the basic seed money and stimulus for the development of state energy policy and programs. Over time, these programs have been drawn upon to provide support for new federal initiatives such as the Residential Conservation Service Program and the Energy Emergency Conservation Program.

The states can promote increased efficiency through their authorities in such areas as building codes, utility regulation, taxes and bond programs, transportation decisions, and through direct technical assistance programs to the commercial, industrial, institutional, and residential consumer as well as local government.

A conservation analysis undertaken by a DOE contractor of four major SECP program measures shows a very attractive cost-benefit ratio of 1 to 5 for 1979. For every dollar of Federal funds spent, $5.40 worth of energy was saved. The study attempts to include in the savings estimates only savings directly attributable to SECP, controlling for the effects of price increases by comparison group surveys conducted by the state energy offices, or "attribution" factors available in other studies.

According to another DOE study, EES clients in the ten pilot states saved the equivalent of 6,400 barrels of oil per day beyond what would have been saved without the program. The cost of achieving these additional energy savings averaged $8.50 per barrel of oil equivalent. Compared to the cost of buying a barrel of imported oil ($30 - $35), the EES is clearly cost-effective. For 1980 it is estimated that 6.9 million barrels of oil equivalent was saved beyond what would have been saved without the program.

Examples of State Measures

Examples of effective state conservation measures are numerous. I will describe to you a sampling of measures to illustrate the nature of the programs states have undertaken.

o Boiler Efficiency Improvement Seminars

Boiler efficiency improvement seminars are popular and quite widespread among the states.

This SECP measure alone implemented in one state - the state of New York - more than pays for the entire national cost of the SECP and EES programs.

Let me describe the New York program in greater detail.

For the purpose of providing practical information on measuring and improving the efficiency of boilers to operators of large heating systems, the New York State Energy Office conducted a series of 19 two-day seminars in 11 different cities since July 1979. These seminars trained approximately 1,100 boiler operators in New York State from schools, colleges, hospitals, industries, businesses and office buildings.

Program evaluation efforts indicate that the seminars have resulted in total estimated annual savings of 115 million equivalent gallons of oil valued at about $95 million at current prices. The combined national cost of the SECP and EES programs in 1980 was only $72.8 million.

Specifically, as a result of the seminars:

- the average annual saving per facility where efficiency improvements were achieved as a result of the seminars is about 185,000 equivalent gallons of oil valued at $150,000.
- eighty-three percent of the facilities represented at the seminars increased the efficiency of their boilers by an average of 3.4 percentage points.
- sixty-five percent adopted at least one energy savings measure as a result of the seminars and forty-seven percent adopted from one to four conservation measures.

o Statewide Energy Conservation Standards

As of January 1, 1981, 47 states had adopted voluntary or mandatory energy codes for new buildings.*

* 1980 Federal and State Actions in Energy Codes, Standards, Legislation, and Regulations. National Conference of States on Building Codes and Standards, Inc. January, 1981.

In Oregon, for example, every new commercial and residential building is required to meet statewide energy conservation standards. A recent study estimates that Oregon's 1974 residential code (which has since been substantially upgraded) reduced space heating energy use in natural gas heated homes by 40 percent compared with homes built before the code took effect.

New commercial and institutional buildings constructed in Oregon are not permitted to exceed maximum lighting power standards, and Oregon has a voluntary lighting power standard for existing buildings. With federal funds workshops have been conducted for architects and engineers to assist them in complying with the lighting standards and the structural code conservation standards. Federal funds are also enabling the Oregon State Homebuilders to conduct training sessions on energy-efficient construction techniques that comply with and often exceed code requirements.

Oregon law requires new multiple-unit residences to have separate electric metering for each unit, a requirement that a 1975 Federal Energy Administration study estimated could result in per unit electricity savings of about 35 percent. In addition, natural gas furnaces, water heaters, clothes dryers, ranges, and pool heaters sold in Oregon are required to have intermittent ignition devices to eliminate pilot light waste.

o Industrial and Commercial Audits, Seminars, and Workshops

Another popular measure in the commercial and industrial sector is energy audit programs. On site audits, seminars, and workshops for Illinois industrial and commercial community showed energy savings of 13 trillion BTUs in 1980. This amounts to between $9 -36,000 per year per facility audited. Savings figures were based on follow-up surveys and show savings directly attributable to the audit.

Examples of audits which have been undertaken include:

1. United Airlines Ground Operations facility at O'Hare revealed $113,990 annual energy savings opportunities.

2. Chicago White Metal Castings, a producer of aluminum magnesium and zinc castings, could save 15% of their energy consumption.

3. Mother McGee's restaurant in Kankokee was shown areas where they could save up to 19% of the restaurant's current energy use.

o Energy Efficiency Procurement Practices

All states have begun energy efficiency procurement practices under the SECP. It is estimated that efficient procurement practices in Washington State saved 90.49×10^9 BTUs in 1980. These savings were achieved through the use of gasohol in state vehicles; the recycling of waste drain oil; the recycling of scraps from the state printer into scratch pads; the use of econ-o-watt lighting; the purchase of more energy efficient automobiles and trucks; and the use of pellitized wood waste fuel in Western State Hospital and the Solider's Home at Orting. The total dollar savings of these measures are estimated to be $9,265,800 with a cost of only $194,955 through 1980, resulting in benefit/cost ratio of 47.53 to 1.*

o Institutional Conservation Program (ICP)

This program provides financial assistance in the form of matching grants to aid several types of institutions in identifying and implementing energy conservation activities in their buildings.

The statewide savings that resulted from energy audits of about 3,300 Illinois school campuses under the federal ICP program is estimated to be $6,930,000 during fiscal year 1980. The energy saved was 2.518 trillions BTUs. In more relevant terms, the energy saved during 1979-1980 school year was

- the equivalent of 432,300 barrels of oil, which, laid end to end, would connect the capitols of Iran and Iraq; or
- would pay all the fuel and electric bills for about 200 Illinois schools for a full year.

---

* Energy savings calculations were provided by the Washington Department of General Administration, State Purchasing Division. The savings were broken down by functional areas. Each area is assumed to save a specific fuel type. e.g., automobiles using gasohol save gasoline, heavy trucks save diesel fuel, etc. Dollar benefits were then calculated for each fuel type and totalled.

Low-Income Weatherization

The need for a strong, effective low-income weatherization program will be especially pressing given the decontrol of energy prices. Expenditures on weatherization can decrease the future need for direct payments in the form of fuel assistance.

Although there were significant problems with the low-income weatherization program in earlier years, especially in the use of CETA labor, the program over the past years has proven itself effective in getting homes weatherized. According to DOE studies, the program has weatherized 265,182 homes in FY 1980 with expenditures of $182,082,673. This compares to FY 1979 figures of 118,200 homes weatherized and expenditures of $39,937,746. Production increased by 224% over FY 1979. The savings per dwelling are permanent savings. The equivalent of over 2 million barrels of oil will be conserved each year in the 860,000 weatherized so far through the DOE programs, avoiding cost of $64.5 million.

The state of Maine, for instance, has weatherized approximately 20,000. dwelling units or almost 1/3 the eligible low-income households in the state.

Recognizing the necessity of low-income weatherization in light of Maine's high percentage of low-income and elderly citizens, the state appropriated $1 million to add to the federal grants. If federal support continued at the same rate, the state of Maine would expect to reach the remaining 50,000 eligible homes.

It appears that the Administration will propose to include weatherization as an allowable function under the Community Development Block Grant (CDBG) under HUD, but with no additional CDBG funding. Our fear is that the low-income weatherization program will be lost entirely amidst the other responsibilities under the CDBG program.

o Helping the Residential Consumer

In New Jersey, as well as in other states, false savings claims for flue dampers for home furnaces and boilers were widely advertised for almost a year until it was shown that the savings were mostly achieved by simple adjustments to boiler and furnace burners, rather than the $500 flue damper itself. As a result of New Jersey regulations requiring oil dealers to measure burner efficiency on an annual basis, homeowners can now achieve similar savings for a $10-20 fee, for the cost of the efficiency test. The $500 they would have spent on a flue damper can now be used more effectively on insulation, improved burners, or other proven conservation measures.

This is only one aspect of a comprehensive program in New Jersey to address the needs of the residential consumer. For instance, the Home Energy Savings Program offers all New Jersey occupants of one-to-four family dwellings an energy audit developed by the New Jersey Department of Energy and performed by trained utility and fuel dealer personnel as well as a variety of other conservation information. In the sixteen months the program has been in operation, 43,000 audits and 15,000 oil furnace combustion efficiency tests and 100,000 pieces of conservation literature have been delivered. The program was a precursor to the national Residential Conservation Service program in which almost all states are now participating.

The Plight of the Renter

The market does not encourage landlords to make cost-effective energy improvements to their property. Most tenants in Minnesota pay their own heating bills. As fuel prices increase, it is the tenants, not the landlords, that are affected, but the tenants have no incentive to make improvements to a building they may occupy for a short time. In today's tight housing market, landlords that do pay the utility bills can easily pass these increases on to their renters. Even if landlords were prohibited from passing increases in

energy costs on to their tenants, they would not make as many improvements as knowledgeable homeowners since they are able to deduct energy costs as operating costs and therefore do not feel the full effect of increasing prices.

Minnesota law requires residential rental property owners to make certain energy efficiency improvements if the improvements will pay for themselves in less than 10 years. Caulking and weatherstripping standards are in effect now and additional standards for insulation, storm windows, storm doors and positive fireplace shut-offs go into effect in 1983. The Energy Agency will be preparing materials to inform landlords what is required and how to calculate savings.

Estimated energy savings for Residential Rental Retrofit for 1981 are 2.36×10^{12} Btu.

o Computer Simulations of Supply Disruptions

As mentioned earlier in my testimony, preparing for energy shortages has been another major responsibility which has fallen to the states. Efforts by the Ohio Department of Energy to prepare for energy shortages illustrate the significance of state activity prior to an actual supply disruption. The Ohio Department of Energy has developed computer model simulations for supply contingencies which can be used to 1) test proposed energy emergency plans prior to their actual use; 2) monitor fuel supplies; and 3) improve the timing of curtailments during actual electric emergencies.

The Ohio DOE undertook a full simulation of a hypothetical supply interruption with representatives from all the major Ohio utilities. The scenario for the simulation was a summer coal supply interruption starting June 1, 1978. Summer peak load information, system burn rates, coal and non-coal generation, expected percentage conservation from each phase of the emergency plan and expected reduced levels of coal delivery were provided by the utilities. A computer code was developed to calculate state-wide normal and actual burn days for each utility. The code keeps track of daily coal deliveries and coal con-

sumption, and estimates the day on which coal supplies will be exhausted. The model then calculates the desired trigger point for each curtailment measure and the coal savings from imposing each emergency measure.

The model and simulation has led the Ohio Department of Energy to revise its Electricity Emergency Rules. The same simulation program can be used on a real-time basis to inform all the Ohio utilities via computer linkup of current fuel status, conservation and curtailment levels, and to analyze various actions to avoid economic disruptions, including curtailment strategies and the need to purchase additional power.

This completes my testimony. Thank you for the opportunity to testify before you today. I will be happy to answer any questions you might have.

Gardner S. McBride
Executive Vice President

BUILDING
OWNERS
AND
MANAGERS
ASSOCIATION
INTERNATIONAL

1221
Massachusetts Ave. NW
Washington, D.C.
20005

202-638-2929

BOMA
INTERNATIONAL

STATEMENT OF

BUILDING OWNERS AND MANAGERS ASSOCIATION INTERNATIONAL

ON

DOE'S CONSERVATION PROGRAMS

PRESENTED BY GARDNER S. McBRIDE
EXECUTIVE VICE PRESIDENT, BOMA INTERNATIONAL

SUBMITTED APRIL 8, 1981
RAYBURN BUILDING
ROOM B308
WASHINGTON, D.C. 20015

GOOD MORNING, My name is Gardner McBride and I am the Executive Vice President of the Building Owners and Managers Association International (BOMA). Our association represents the owners and managers of nearly a billion square feet of office properties. We have collected data on member buildings for 60 years and were the only property based association to participate in the U.S. Department of Energy's Voluntary Business Energy Conservation program starting in 1977. At that time our industry was able to demonstrate savings of over 28% compared to a base year of 1973. Further improvements in energy conservation followed in 1978 and 1979.

Nowhere is the United States government's objective to conserve energy more warmly received than in the office building industry. There is a clear awareness of energy's vital role in underpinning our nation's economy and in assuring the national security. During the current period, it is essential for conservation to stretch existing energy supplies. However, conservation also plays a more immediate role than just long term self-interest. Energy is the largest controllable expense of BOMA's membership, whose annual energy bill runs well over a billion dollars -- making conservation necessary for survival in a competitive marketplace.

Clearly, BOMA's membership has a major stake in the activities of the U. S. Department of Energy, and my intention today is to present BOMA's position on energy conservation and the necessary research and development needed to develop information upon which to base any comprehensive energy conservation program for the building community - whether it be a government program or a program initiated in the private sector.

76-703 0 - 81 - 32 (6b)

WHAT WE HAVE LEARNED FROM EBTR

During much of 1979 and 1980 our industry operated under federally mandated temperature controls as prescribed by the Emergency Building Temperature Restrictions (EBTR) Plan. We closely monitored 120 buildings for the conservation effect of temperature controls in buildings and were able to document a 2% energy savings specifically attributable to temperature controls although preliminary expectations had been higher.

It became clear during the course of the EBTR Program that temperature controls alone were not an answer to conservation of scarce fuels. We did, however, learn that secondary "awareness" effects of the Emergency Building Temperature Restrictions (EBTR) Plan resulted in significant additional savings. It is obvious that federal programs such as EBTR must allow for the many individual differences in buildings across the country. More research is needed to be able to fully understand the range of operating methods used today and we fully approve of the intent of the Administration to emphasize energy research.

On the other hand, while research is needed, what the EBTR Program taught us is that no amount of research can replace practical implementation of energy conservation strategies, programs and products.

PRODUCT TESTING UNDER FIELD CONDITIONS NEEDED

The mixed success of the EBTR Program is representative of the general experience of our industry with many of the energy conservation solutions

both public and private, that have been presented to the industry. The greatest single need we have is information on product and program reliability under actual field conditions and effective communication of the results.

Without such information, barriers exist to significant further progress on an industry-wide basis. Barriers in the form of unwillingness to try new products or services unless very short term paybacks seem likely. Barriers that could easily be overcome by relatively simple programs of product and system testing such as the one currently suggested in Unsolicited Proposal #P-8100163, the "Living Laboratory" suggested by the Apartment and Office Building Association of Metropolitan Washington (AOBA), where members of the association would volunteer to install unproven devices in their buildings, test them under actual working conditions, and report the results, good or bad, in the industry trade press.

Low cost programs such as this, while not purely research, are highly leveraged ways to use public funds for significant conservation benefits. More importantly, perhaps, they do not duplicate what is already being done. Programs using trade associations and such already created and working groups as AOBA or the National Institute of Building Sciences build on groups already credible to the industry.

We have reviewed the proposed budget cuts by the Administration in the Buildings Division Program Areas for FY 82. We are concerned that practical and needed programs such as "Living Laboratory" will not find a place in the reduced activities of the Buildings Conservation Programs.

Essentially, of the five program areas originally funded: Building Energy Sciences, Demonstrations and Innovative Structures, Professional and Trade Education and Consumer Information, Codes and Standards and Building Energy Performance Standards, all but one area, Building Energy Sciences, have been zeroed out.

Clearly, this approach would not meet our conservation assistance needs as an industry. As a result, we would forego significant reduction of our national dependence on foreign oil.

As an alternative to the current Administration proposals, we suggest the reorganization of the Buildings Division Programs into three areas: Building Energy Sciences - funded at the suggested level of $13,900,000 and augmented by an additional $700,000 to continue the research portion of the Building Energy Performance Standards (BEPS) on life cycle costs, and another $1,000,000 to upgrade the lighting research to the level proposed under the original Carter budget. Close examination should also be given to the remaining $4,100,000 of the BEPS research budget for while BOMA testified against the BEPS Program as it was proposed, the technical reports to be done for major standard metropolitan statistical areas seemed worthwhile doing.

A second area that would appear worthwhile from our point of view would be Field Validation which we suggest funding at $1,800,000.

A third area would be Information Dissemination. If all these efforts were concentrated on passing on information through existing channels such as trade press and associations, we believe that funding of $600,000 should be adequate.

Together these changes would amount to an additional $4,100,000-$8,200,000. We do not believe that it would prove necessary to greatly expand the staff management needed to administer these funds and, in fact, would be opposed to seeing very much of these funds go for DOE staff enlargement.

In terms of where the money could be found, we suggest the Committee look into the 1.7 billion dollars being spent on nuclear energy and ask if it might not be worth speeding up conservation enough to make that much nuclear development less urgent.

SUMMARY

Research alone, without reliable reports of its practical application and realistic assessments of what it will take to transfer new technology into industry practice, may prove to be of significantly less value in addressing America's current need to conserve scarce energy resources.

Our industry respectfully requests that when the Building and Community Systems budget is reconsidered, that funding be provided for technology testing and transfer as well as technology research.

DRAFT II

ACCELERATING THE BUILDINGS SECTOR'S SLUGGISH RESPONSE TO RISING ENERGY PRICES by Federal R&D, Information, and Analysis Programs.

Arthur H. Rosenfeld
Professor of Physics,
University of California
Berkeley, Ca. 94720

and

Mark D. Levine

April 8, 1981

CONTENTS

I. Introduction 2

II. Overview 2

III. Categories of Programs that Merit Support 3
A. Research on Building Science, Indoor Environment and Health 3
Example: Indoor Air Quality 4
B. Programs which accelerate market response 9
Analysis of Market Lag in Energy Efficiency Investment 9
B1. Labels for Cars, Appliances, Homes, and Buildings 15
Example: PG&E's Energy Labels for New Homes 16
B2. R&D that cannot be patented or captured 21
Example: Fan Pressurization 22
B3. Near-term technology development when 23
a. There is no organized US industry 23
Example: Residential Heat Exchangers 24
b. Industrial inertia hampers innovation . . . . . (23)
Example: High-frequency Ballasts for Fluorescent Lamps . 25

Appendix A. "Improving Energy Efficiency" The Case for Government Action" Table of Contents of the paper by Hirst, Fulkerson, Carlsmith, and Wilbanks of Oak Ridge National Laboratory 28

Appendix B. Sample Score Sheet for PG&E Energy Efficient Home Labels 29

April 7, 1981

I. INTRODUCTION

This paper is written in response to the Reagan Administration's FY 82 budget cuts, in which the Department of Energy's Office of Buildings and Community Systems program is reduced to less than one-third of Carter's FY 81 budgets In our judgment, these cuts will drastically reduce the research activities on energy efficiency in buildings. The immediate effects of the cuts will be to halt a multitude of valuable and important research activities. However, it will not be long before the effects will extend well beyond the research community. In the absence of essential research, information, and analysis programs on energy efficiency in buildings, much of the progress that the market has made in improving the efficiency of energy use in buildings will be slowed, to the detriment of all.

It is our thesis that there are several areas of research, and related activities, on building energy efficiency in which the federal government has a critical role. These areas include:

- o Research in building science to advance the state of knowledge and to solve social problems (eg., indoor health effects).
- o Programs to accelerate market acceptance of cost effective investment in energy efficiency, including:
  - -- energy efficiency labeling programs;
  - -- research and development that is unlikely to be undertaken by the private sector because it cannot be patented;
  - -- near-term technology development that the private sector is not organized to undertake, in spite of potentially large payoff.
- o Government information programs for forecasting, planning, and analysis, so that the government has sufficient information to make informed decisions.

II. OVERVIEW

We agree with an important element of the Reagan Administration -- deregulation of oil as gas as soon as possible, and letting the market respond as fast as it can.

But we argue that market response in the buildings sector will take about 20 years unless the Federal Government takes some limited but critically important leadership role to accelerate market response.

Our annual energy bill is now over $1 billion/day ($400 billion per year), and one third of it goes to the buildings sector. Market response will eventually save about 1/3 of that, or nearly $50 billion/year in buildings. So every year that we can advance that response, we save tens of billions of dollars.

Moreover, the eventual resource energy savings in the buildings sector alone are comparable with our oil imports for all sectors. Can we then afford to hold our energy economy and our foreign policy hostage to its own built-in inefficiencies any longer than necessary?

In cars and appliances, as we shall see below, there is a lag of about ten years between energy price increases and the market's response of maximum efficiency. In buildings, this lag is much longer, 10 to 20 or more years. In the time scale of oil supply -- where there are wars, revolution, and instabilities every few years -- a potential maximum efficiency advance of ten years is indeed a significant help towards reaching energy stability.

If there is a case to be made anywhere in the U.S. economy for government actions to accelerate market response to rapidly changing prices, surely that case can be made most validly for building energy use.

III. CATEGORIES OF PROGRAMS THAT MERIT SUPPORT

In this main section of our paper we present 5 categories of Federal programs which reduce the life-cycle cost of buildings (without compromising their amenities) and improve indoor air quality, thus decreasing the present death rate from breathing radon daughters and other indoor pollutants (see the Box on Indoor Air Quality). Yet Federal programs in all five of these areas are being drastically cut. We shall show that this is unwise.

Before proceeding through our categories and examples, we should mention a current report by Hirst et. al.,[1] of Oak Ridge National Laboratory. They address these issues for all end-use sectors, while we confine our remarks to buildings. Hirst et. al. give 15 examples of cost-effective programs, in the form of 1-page exhibits. We reproduce at the back of this report a table of contents of Oak Ridge paper, to encourage the interested reader to obtain this paper.

CATEGORY A. RESEARCH ON BUILDING SCIENCE, INDOOR ENVIRONMENT AND HEALTH EFFECTS.

This is an area which is clearly the responsibility of the public rather than the private sector. Exhibit 1 describes the Ventilation and Indoor Air Quality program at Lawrence Berkeley Laboratory.

We also introduce Figure 1 to show that we have developed and tested hardware both to detect radon gas and control it effectively. Figure 1 shows the concentration of radon in a home in Mt. Airy, Maryland. The measurements cover two weeks. The non-scientific reader can best interpret the vertical scale by using the coarse rule of thumb that one unit corresponds in lung-cancer risk roughly to smoking one cigarette a day (which doesn't bother most of us), so that the maximum of 30 units corresponds to every man, woman and child in the home smoking 30 cigarettes a day (which is, a much more serious matter).

Example 1

INDOOR AIR QUALITY

In the United States, the natural infiltration of outdoor air causes, on the average, a complete exchange about every 1.5 hours of the 1,000 lbs. of air in the typical house. This is called 2/3 "ach" (air changes/hour). This natural exchange dilutes the indoor pollutants: combustion products, organics outgassing from particle board and furnishings, radon outgassing from soil and building materials, odors, water vapors, etc.

In 1975, in Sweden, a new building code, SBN 75, was passed with the intention of limiting natural infiltration in Swedish homes to 0.2 ach. Additional ventilation, to supply a total of 1/2 ach, was provided by mechanical means. This program was delayed because of problems with indoor air quality. Measurements (some of which could have been made before the code was written) showed that even the accepted 0.5 ach was inadequate for some homes. By inadequate we mean that at 0.5 ach (in Swedish homes) pollutants might build up to undesirable levels. Two pollutants of concern in Sweden and in the U.S. are radon and formaldehyde. Radon is a radioactive gas which breaks down into substances which increase the risk of suffering lung cancer. Formaldehyde is an irritant organic chemical.

LBL has also measured the radon gas in many homes. Exposures of the entire population, even to typically measured indoor concentrations, may cause 2000-20,000 lung cancers in the United States per year. Even more serious is the risk experienced by the several percent of the homes that have much higher concentrations. These would require special control measures.

One possible control measure is the supply of additional ventilation air using an air-to-air heat exchanger. In Europe and Japan there is a well established residential heat-exchanger industry. In California, LBL has set up a heat exchanger testing facility and has tested many foreign units. Only in 1980 did the first U.S. potential manufacturer present a prototype for testing.

In the United States in 1979, LBL made measurements of organic pollutants in one new home, equipped with new furniture, and found formaldehyde at levels which could cause discomfort to occupants. We do not yet know how long it takes for this formaldehyde level to subside, nor have we yet received funds to set up a laboratory to follow outgassing.

Because of the ignorance about indoor air quality and its cures, home-owners are understandably worried about tightening their homes, and builders are concerned about building tight new homes.

Even if we callously ignore the health effects of indoor pollution, we can consider its economic impact. Not until we understand the problem, can we confidently reduce infiltration. Reducing infiltration by 1/4 ach would mean an annual fuel saving of 100 therms of gas or 75 gallons of oil. Nationwide (including electrically-heated homes and air conditioning), this translates into 0.8 quads of resource energy, costing $5 billion/year. Yet DOE spends only $2 million/year on general indoor air quality research. EPA spends more, but only on special problems like the Love Canal.

To pay for itself, then, the present tiny indoor air quality program only has to advance by 4 hours the happy day when we can confidently tighten our homes.

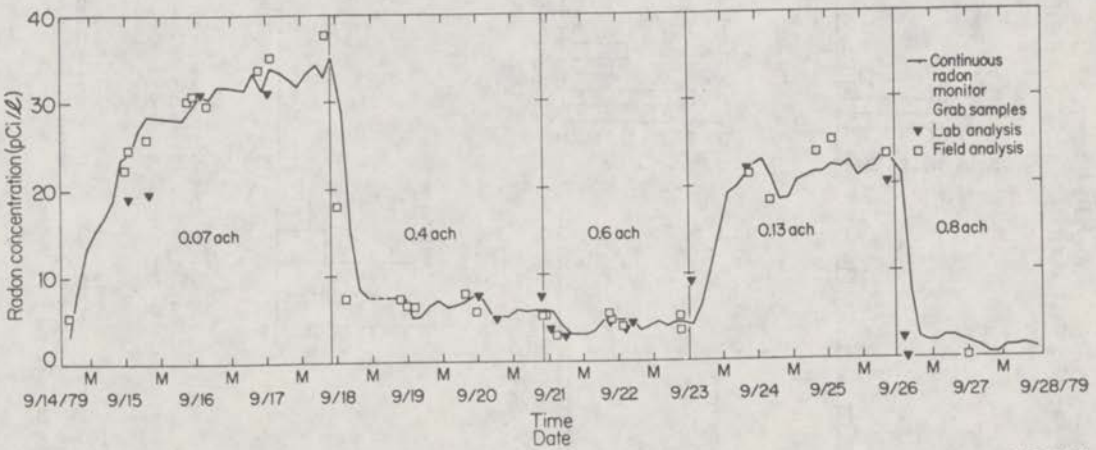
The home was aired out, and then the windows were closed as the experiment began. We see the radon build up over about one day, and level off at about 30 (cigarettes/day) until an air-to-air heat exchanger was turned on. The level promptly dropped to 5 (cigarettes/day) for a few days. Then the mechanical-ventilation / heat-exchanger was turned off and the radon rose again. This time the natural infiltration rate was higher (it was windier or colder) and the radon level rose only to 20 (a pack a day). Finally heat exchanger was turned to a higher setting and reduced the radon to safe levels. These heat exchangers retail for $250 for window unit to $500 for a central unit, and demand only 50-150 watts of electric power.

If the radon level in this energy-efficient home dropped only to 5 at 0.5 ach, it seemed likely that there was a high concentration of radon in the soil gas in the neighborhood, and that conventional, leaky, homes should be measured also. LBL wrote a contract with Geomet to survey 59 homes, and their report[2] confirms our suspicions. Four of the homes have radon levels of over 10 on the main floor (two are 25); one basement of a conventional home measured 67. On the basis of this spotty evidence, and similar results in Pennsylvania, we worry that perhaps one percent of the homes (with over 2 million occupants) in the US may have radon levels above ten, where remedial action would be indicated.

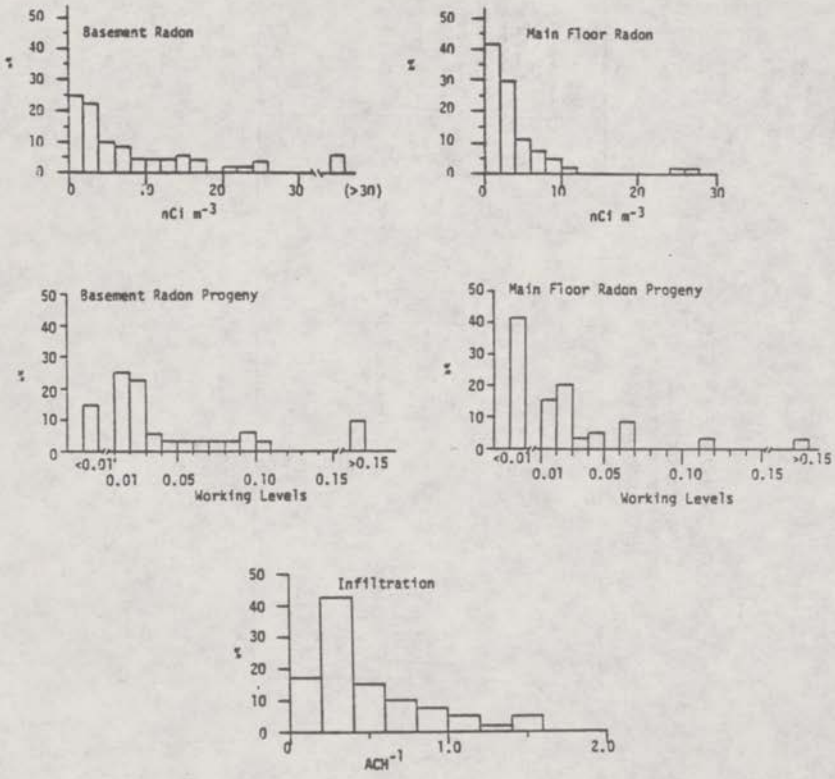
Finally, to convey the importance of this new field of indoor air quality, opened up by DOE-sponsored research, we show a gas chromatographic spectrum of indoor pollutants sampled in new office space at LBL, compared with the air outdoors. Each of the indoor peaks represents a separate organic compound which needs investigation, and perhaps control measures.

Fig. 1 INDOOR RADON CONCENTRATION

Energy Research House
With Mechanical Ventilation
Carroll County, Maryland



59 Homes in Mt. Airy, Md., surveyed by GEOMET for LBL.
GEOMET Report ES-877, Jan. 14, 1981



Note by A. H. Rosenfeld: on the top two histograms, the unit of 1 nCi/m^3 is the same as the 1 pCi/l in Figure 1, and is roughly equivalent in lung cancer risk to one cigarette per day; 20 is about a pack a day

Figure 1a. Frequency distributions of radon concentrations and working levels of Rn progeny (basement, main floor) and infiltration for all homes in survey.

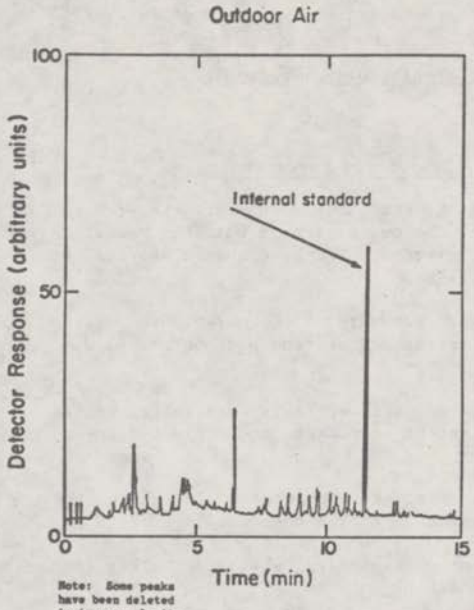
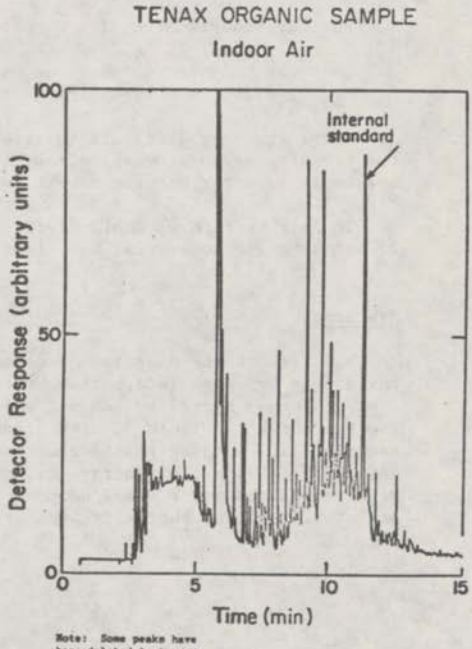


Figure 2:
A COMPARISON OF THE ORGANIC CHEMICALS FOUND IN INDOOR AND OUTDOOR AIR, AS DETECTED BY THE GAS CHROMATOGRAPH.



April 7, 1981

CATEGORY B. PROGRAMS THAT ACCELERATE MARKET RESPONSE

Market Lag in Energy Efficiency Investments

One of the most critical issues to the assessment of the federal role in energy conservation is the evaluation of what the market is likely to do without government involvement. We have sought answers to the following questions:

- What has been the historical response of the market to rising energy prices and to an increasing awareness of potential U.S. energy problems?
- What is an economically sound and socially desirable market response in the building sector to current and projected energy prices?
- How can one quantitatively evaluate the degree to which the market lags behind the desirable market response?
- If the market is lagging or unresponsive, what are the key factors that cause this phenomenon?
- What are the impacts of a market lag?
- What can be done to overcome market lags in investment in energy efficiency in buildings to avoid the worst impacts?

These are very difficult questions and we can only summarize the results of our investigation here. (Additional information is available in a forthcoming report by M.D. Levine.)[3]

In this section we shall discuss new homes in Figures 3, 4, and 7, and auto and commercial buildings in Figure 5.

New Homes

The first three questions are addressed for new residential buildings by the information presented in Figures 3 to 4, which apply to homes heated by gas and electric-resistance respectively. The top curve in Figure 3, with circles at 1972, 1975, and 1979 are average U.S. building practice on those dates, as surveyed by NAHB and translated into energy by computer analysis, using Lawrence Berkeley Laboratory's DOE-2 Computer program. Clearly, new homes are slowly getting thermally tighter.

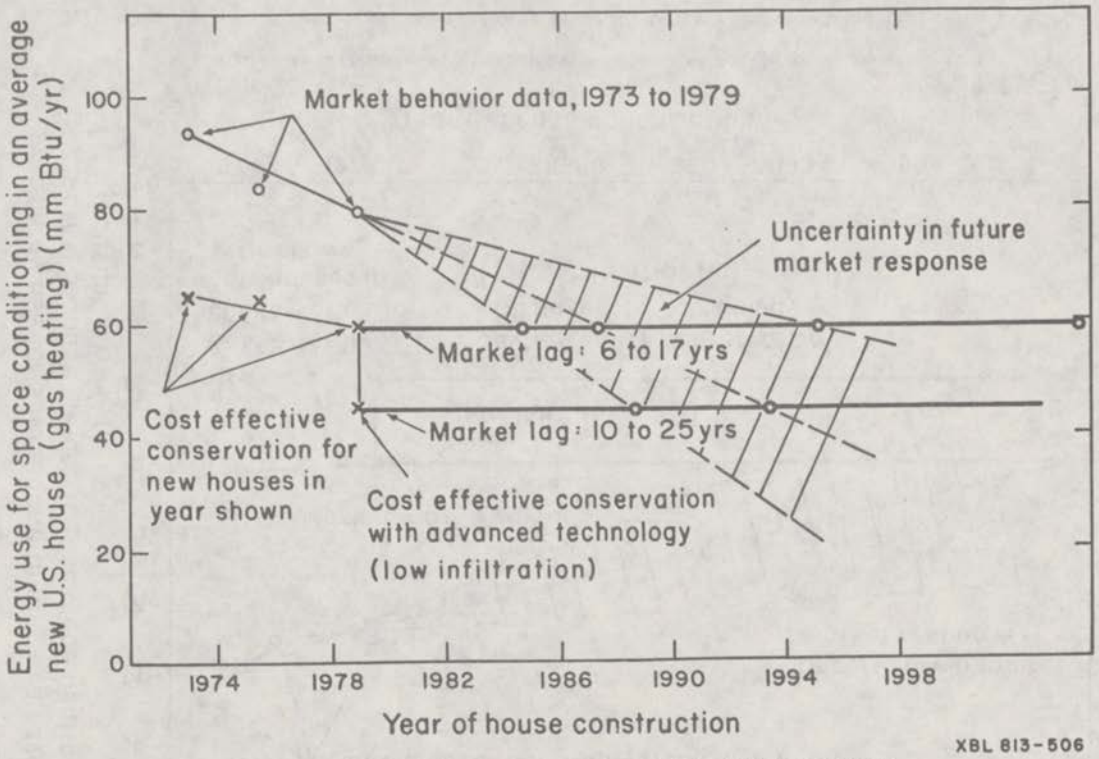


Figure 3. Market behavior and energy conservation in gas heated new houses in the U.S. *

* Based on LBL analysis of NAHB survey data on 300,000 houses constructed 1976-1979

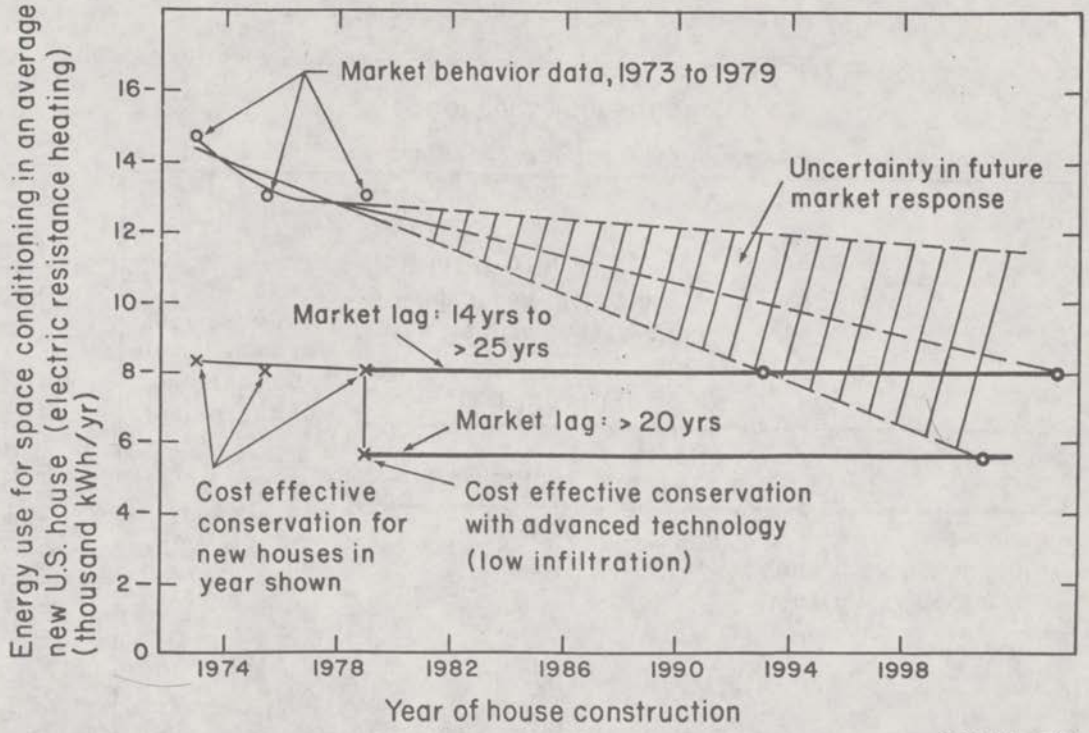


Figure 4. Market behavior and energy conservation in electric resistance heated new houses in the U.S.*

* Based on LBL analysis of NAHB data on 300,000 houses constructed 1976-1979

April 7, 1981

The wedge starting at 1980 is our estimate of the uncertainty in projecting this trend. Additional research underway at LBL is attempting to narrow the range in this uncertainty. The lower curve, connecting the X's, represents the energy use by a simulated home built in the same years with all conventional cost effective conservation measures, using gas and electric prices for those years. We note that the homes with cost effective conservation measures use only about 2/3 as much energy as the real ones, and also improve with time.

Economists use a consumer discount rate to describe the shift between the perfect least-cost strategy -- the crosses in the diagram -- and the actual market decisions, the dots. The crosses assume the home-owner invests at a discount rate of 3% real, that is about 13% when present inflation is included. The "actual" dots correspond to a discount rate of 15% real.

Suppose we were to assume that fuel prices miraculously stopped rising after 1978-79, so the home with cost effective conservation in that year would also be the cost effective solution for the next decade or two. We then ask how long it takes the wedge to get down to this 1979 least-cost level. The answer is 6 to 14 years -- in other words, the length of time until our "projected market trends" (a very wide band) intersect the upper of the two horizontal lines.

The actual lag is, of course, longer than that, because new technologies will come in and pull down the least-cost line, and because energy prices will in fact continue to rise.

To illustrate the first point, we have introduced the concept discovered during the early 1970's of cutting the rate of natural infiltration of outside air with the use of a plastic vapor barrier with careful sealing of all seams -- and then restoring fresh air with mechanical ventilation through a heat exchanger. This technique adds about $400-700 to the cost of a new house, but saves at least 75 gallons of heating oil, or 100 therms of gas, each year. The lower X for 1979 shows this new cost effective technology with mechanical ventilation, and the horizontal lines labelled "low infiltration" projects that case into the future, again with no increase in fuel prices. In that case, the market wedge crosses the "low infiltration" line after 14 to 30 years.

Figure 4 illustrates the market response in houses with electric resistance heating. In this case, the lag is far greater than for gas heating, primarily because the higher price of electricity justifies much greater investment in energy efficiency improvements. The data show that the investment in energy conservation in houses with electric resistance is in fact no greater than in houses with gas heating, in spite of the greater payoff from such investment. Thus, the market lag in this case is at least 14 years (for the implementation of traditional conservation measures) and greater than 25 years (for low infiltration measures). To make matters worse, these lags are based on an optimistic assessment of market response (judging from past experience), and the lags could

76-703 0 - 81 - 33 (6b)

be very much longer unless there is a rather radical departure from past behavior of the market. The consumer discount rate corresponds to a surprising 40% real, equivalent to a 2-year payback on the initial investment.

The reasons for the sluggishness of the market in investing in higher energy efficiency in buildings are not fully known. In our judgment, the most important reasons are the lack of highly reliable information on the costs and benefits of efficiency improvements easily available to the home buyer and home builder. The difficulty and high cost of obtaining reliable information means that decisions are often made with inadequate information. This appears consistently to lead to an underinvestment in energy efficiency; the difficulty in raising capital for houses tends to make the problem even worse, in spite of the fact that a cost effective investment in energy efficiency will lead to lower monthly fuel bill plus mortgage payments.

The economic impact of this underinvestment in energy efficiency is significant and adverse. If approximately 1.5 million new homes per year consume 30 million Btu each more than is economically desirable, this is an annual increase in the U.S. energy bill of $315 million, for residential space conditioning alone. These houses last many years, and the extra fuel costs accumulate year after year (unless the houses are later retrofitted, at costs often much higher than efficiency improvements in new houses). In fifteen years, the annual needless extra expenditure on energy for space conditioning just the new houses built in this time period is $4.7 billion, if the market fails to catch up with the optimum investment in energy efficiency.[1] In the more likely case (in Figures 3 and 4) that the market does continue slowly to close the gap between actual and economically desirable investment in energy efficiency in residential buildings, the annual extra fuel bills for space conditioning just for new houses built over the next fifteen years is in excess of $2 billion.

The foregoing discussion provides a rough but quantitative assessment of the problems of the market unresponsiveness and lags in residential efficiency investments.

Autos and Commercial Buildings

Having shown a lag of about 20 years for new residences, we turn our attention to autos and commercial buildings. We shall show that autos, under the pressure of mandates and foreign competition, seem to be responding in about 10 years. Commercial buildings also seem to be responding rapidly.

For cars and office buildings we have not done any simulation of optimum efficiency. Rather, we have simply plotted in Figure 5 the European competition, which is probably not optimized for least-energy-cost, but at least is closer than U.S. Products, as seen (for cars at least) by the success of foreign imports.

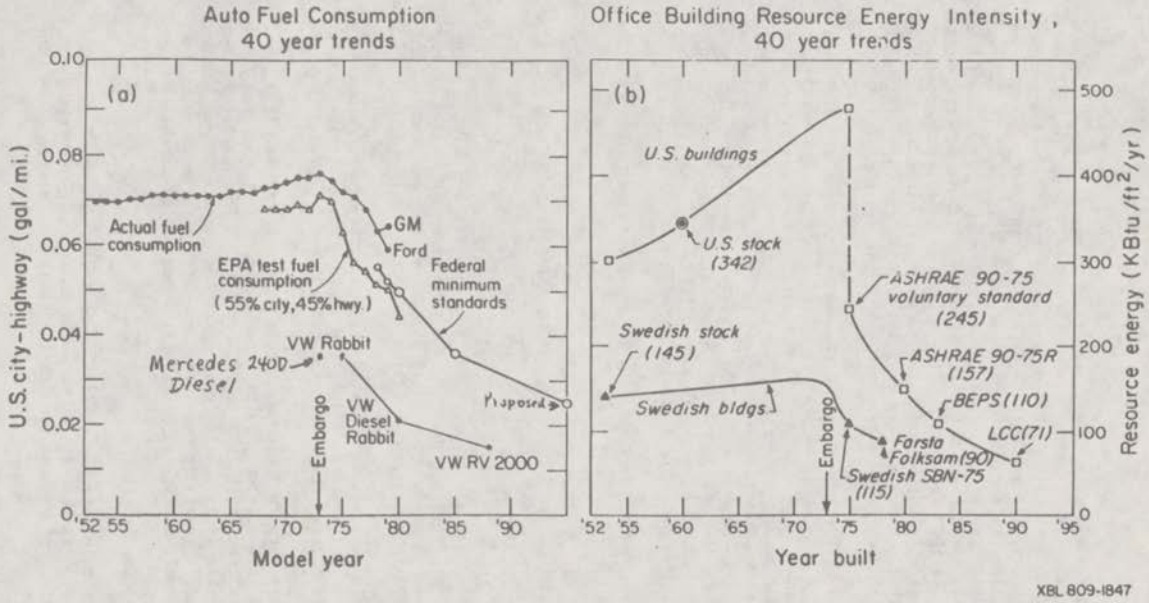


Fig. 5 Horsepower Race, Autos vs. Office Buildings. A 40-year perspective, measurements vs. calculations Sources: Society of Automotive Engineering Transactions, 750957; J. Pierce, 1975, Scientific American 232.1 (Jan 1975); F. von Hippel, 1980, "U.S. Transportation Energy Demand - Draft Report," (July 1980). Office Buildings: Energy Efficient Buildings - Draft Report, LBL 11300, EEB 80-6.

Note the similarity in shape of the two curves for cars; the top one labelled "Federal Minimum Standards" shows the target US new car fleet average; the bottom one shows some efficient European cars which are closer to the U.S. economic optimum. The US fleet average trails the optimum by at least 10 years, would trail more were it not for EPA miles/gal labels, and might have trailed even more were it not for the mandatory standards. It is interesting to note that the 1985 standard of 27.5 miles per gal. when proposed in 1975, was greatly influenced by the availability then of the Mercedes 240 D, which already achieved 28 mpg, and was judged to be acceptable to Americans and near the economic optimum.

Swedish buildings are heated with hot water from district heating systems at prices comparable with US fuel, or with electricity at prices comparable with U.S. electricity. The buildings would use the same amount of energy if they were at the economic optimum, but even the Swedish buildings are probably not yet at economic optimum. Even so they are about 10 years ahead of the U.S., under the optimistic assumption that U.S. buildings will economize as fast as would have been required by BEPS in 1985 and will reach by 1990 the life-cycle optimum design for 1978.

The remainder of this paper discusses the appropriate role of the Federal Government.

CATEGORY B1. INFORMATION PROGRAMS AND LABELS FOR CARS, APPLIANCES, HOMES, AND BUILDINGS.

After the 1973 oil embargo, the Congress imposed first a voluntary appliance labelling program, and then when that failed to produce very many labels, a mandatory labelling program, to be followed in 1981 by mandatory standards.

For buildings, labels were never considered, but mandatory standards were to take effect in 1981. Many utilities sponsor voluntary labelling, and Florida has a mandatory program.

Mandatory auto fuel economy labels took effect in 1975, and have been at least partly responsible for raising fleet miles/gallon from 14 in 1975 to 27.5 in 1985. The gasoline conserved by this doubled efficiency costs the consumer about 40¢ per gallon saved -- generally considered an excellent investment compared to the alternative of paying $1.40 per gallon purchased.

1. The case for labels.

Labels induce consumer confidence to invest in superior appliances, homes, and buildings, both for their energy savings during his ownership, and because the labels establish a resale value for the investment.

Example 2

PG&E's Energy Labels for New Houses

Edison Electric Institute's National Energy Watch covers many labelling programs. We describe here one with which we are familiar. It is inducing builders to invest about $375 for improvements which save 375 therms/year of resource[4] energy. This corresponds to a cost of conserved energy of 7¢ per therm saved,[5] i.e. about ten times cheaper than the "third tier" California price of gas and electricity. In 1977, California adopted a mandatory building energy code (Title 24) which is periodically updated, but is still far from a least-cost design. So Pacific Gas and Electric Co. awards "points" to builders for features beyond those mandated.

Under Title 24, a Northern California home uses about 400 therms annually for space heating, plus 300 for water heating, plus 8500 kWh of electricity (equivalent to 1000 therms of resource energy): total 1700 therms.

Each PG&E point corresponds to an annual saving of 3 therms (or 30 kWh). To qualify, a builder must reach a threshold of 50 points. If he chooses to go beyond this threshold, PG&E will so certify and pay him $2 per additional point. PG&E's experience is plotted in Figure 7.

Builders have discovered that Energy Conservation Homes are popular and sell fast, so 60% of all new "connects" now qualify, and the average number of points is 75, i.e. 25 beyond threshold. This is a potential savings of 225 therms (13%). One large builder, Presley Homes, advertises 150 points (450 therms, i.e. 26% better than Title 24). For comparison, PG&E estimates that even the average non-qualifying home is now 25 points (4%) better than Title 24. A sample score-sheet is attached, filled out to show how a builder can reach 125 points (one therm/day) for $375.

Inspection. Before awarding the certificate and $2/point incentive, PG&E representatives inspect between 10% and 100% of the new homes. This service is popular with builders because the inspection often uncovers poor work by subcontractors.

PG&E has surveyed owners of Energy Conservation Homes. They respond that the homes are comfortable, and feel, on average, that the features they purchased are worth $800, to them as owners, and at the time of resale. This is an interesting clue that the market can recognize energy efficiency in labelled homes, just as it now places a high value on energy-efficient cars.

The PG&E program has been judged so successful that a form of it will be taken over statewide by the Calif. Public Utilities Commission in July 1981, and tied to the California "line-extension credit plan."

Conclusion.

The present authors agree with President Reagan that decontrolled energy prices will lead naturally but slowly to more efficient buildings. But credible labels are a dramatic aid to market forces, and will advance the market response by many years. In its haste to abolish mandatory standards for appliances and buildings, the administration should not overlook labelling, and should provide the appropriate tools and infrastructure.

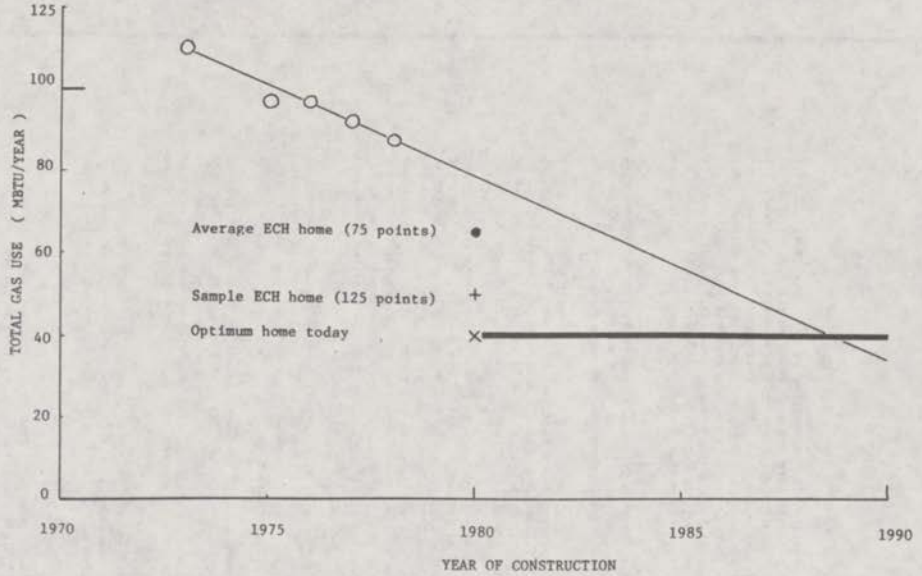


Figure 7. Total use of gas in new gas-heated homes supplied by Pacific Gas and Electric Company in Northern California. Open circles are average billed use of gas for homes built in the year indicated. The solid dot is the calculated gas use of the average home qualifying in 1980 as an Energy Conservation Home; 60% of all new homes qualified. The " + " is the sample Energy Conservation Home marked up on the score sheet at the end of this report (125 points, i.e. 375 therms, for $175). The " x " is the estimated use for a home built today in Fresno's climate that minimizes its lifetime costs. Presley Homes currently advertises that its homes are as good as least cost. The thick horizontal line is the economic optimum energy use, on the assumption that gas and gas conservation costs remain constant in real dollars. This figure is in the same format as Figures 3 and 4, except that the points are actual metered gas use, instead of being estimates based on building plans.

Thus labels strengthen the market for efficient products, and help the conscientious manufacturer and builder.

To be effective, the labels need not be mandatory, but they must be widespread, so that comparison shoppers can find them, and avoid unlabelled appliances and buildings.

And to be effective, they must be credible, accurate, and verified, at least by spot checking. Roughly one third of auto workers are assigned to quality control; it is clear that some small fraction of new buildings should likewise be tested for thermal efficiency and indoor air quality.

2. Proper role for the Federal Government.

For cars and appliances, there is general agreement that labelling is best handled at the national level. But homes and buildings are tailored to local climate and energy supplies and prices, so labelling programs can best be handled by states or utilities.

But a labelling program requires the following tools, which, because of economy of scale, are most efficiently provided by the Federal Government. These standard tools include:

a. Research programs to calculate the optimum sequence of options to get from current building practise to least cost, based on lifecycle economics.

b. Calculation of "Conservation Score Cards" and Manuals of Recommended Practise.

c. Development of equipment and procedures for testing thermal integrity, air and duct leakage, HVAC (heating, ventilating and air conditioning) systems, and indoor air quality.

To show that states and utilities need some federal help in formulating residential energy labels, we cite the fact that both Florida and California have labelling programs, yet neither state had enough information to include credit for low infiltration, even though this is the single most cost effective measure, and neither state has the resources to organize a field monitoring program to validate the labels.

3. Savings by Reducing the Consumer's Discount Rate

The discount rate implicitly used by the homeowner to decide whether or not to conserve may be very high; the earlier analysis showed that for new California homes it may be 40% above inflation for electrically heated homes, 15% above inflation for gas heated homes. The impact of these high rates may be estimated as follows:

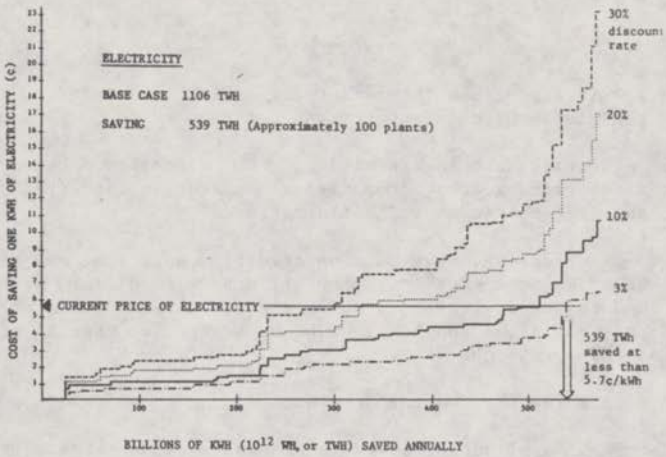


Figure 6(a) Supply curves of conserved electricity for the US residential sector (retrofit of stock, plus 20 years of construction) in the year 2000. Four curves are plotted, each corresponding to a different real discount rate. LBL-11300

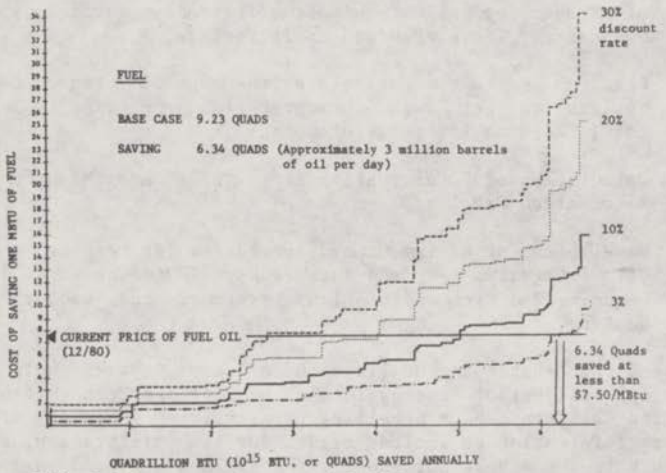


Figure 6(b) Supply curves of conserved fuel for the US residential sector (retrofit of stock plus 20 years of construction) in the year 2000. Four curves are plotted, each corresponding to a different real discount rate. Source: LBL/SERI Buildings Study, LBL-11300, April, 1981.

April 7, 1981

Figures 6(a), 6(b) are "supply curves" of conserved energy for U.S. residences in 2000 AD. The curve indicates how much it would cost to save a given amount of energy. Implicit in the calculation is a discount rate. The rate used by different homeowners will vary; the higher the market imperfections drive the consumer discount rate, the lower the available conserved energy will be for any given energy price. To illustrate this effect, let us look at the effect of going from a 20% real discount rate to a 3% real discount rate for fuel conservation. At a 20% rate and fuel for $7.50/MBtu, the homeowners would invest in conservation up to 4 quads. If all the market imperfections were corrected, the homeowner would invest up to 6.3 quads, saving more energy and more money. The picture for electricity is similar; savings in 2000 are 320 and 540 TWh respectively. Although these numbers are only illustrative, it is clear that there is great potential to reduce U.S. expenditures on energy by reducing the discount rate that the consumer perceives.

We contend that a federal infrastructure of research, labelling information, test and inspection procedures would achieve this aim, and that such a program would be high pay-off, anti-inflationary, and wise.

April 7, 1981

CATEGORY B2. RESEARCH THAT SPEEDS THE MARKET, BUT IS NON-CAPTURABLE AND NON-PATENTABLE

As an example of this common type of research, we site the development of the "blower door" by Princeton and NBS, and the use of this technique to discover the importance of attic bypasses and to pioneer the whole field of House Doctoring.

Over the next few years, thousands of house doctors will use relatively primitive tools (window fans to pressurize a home, "punk" to smoke) to detect and plug air leaks. The fruits of the research are a new trade, but there is no way for the developer of the technique to patent his findings.

Example 3

Fan Pressurization Detects
Air Leakage

Air leakage is expensive. In the US, the natural infiltration of outside air into houses causes, on the average, a complete change of air every one and a half hours; this is called 2/3 air changes per hour, or 2/3 ach. To heat this air all winter takes 200 gals of fuel oil or 250 therms of gas.

In 1975 the CEES at Princeton University under Professor Socolow started to investigate methodically the sources of this infiltration, since leak plugging seemed an obvious and cheap way of cutting home heating bills. They caulked windows and weatherstripped doors, but found that they had hardly reduced infiltration at all. This was amazing, since all engineering manuals showed windows and doors to be the major sources of infiltration.

To find where the leaks really were they developed a "blower door", a replacement front door with a fan set in it. Using this door they blew air into houses and traced where it leaked out; the tools they used were simple smoke sticks and expensive infra-red cameras. They found that the major leakage sources in houses included gaps where pipes enter walls and ceilings, gaps around recessed light fixtures, dropped ceilings above bathtubs, and built-in cupboards. They also discovered that the spaces inside both interior and exterior walls can act as a chimney, leading warm inside air to the outside. They called all these newly discovered leakage sites "bypasses", since they bypass insulation.

This discovery explained why insulation often performed far below expectations; the warm air was simply going around it. Therefore the bypasses must be fixed before you insulate. The Princeton researchers have shown that a two-person team of "house-doctors", trained in the use of the blower door and infra-red camera, can reduce air leakage by 20% to 40% in half a day's work.

Researchers at Lawrence Berkeley Laboratory have developed a model that related the pressures and flow rates obtained from the blower door to infiltration rates. The air leakage is expressed as an area, a measure roughly equivalent to the sum of the areas of the individual leaks. For example the equivalent leakage area of a typical house is approximately one square foot - roughly the same as a two inch high opening of two 3 ft. wide windows on opposite sides of the house. Retrofitting reduces the leakage area. The LBL model predicts the reduction in infiltration is proportional to reduction in leakage area. Thus the 20% to 40% reduction seen by house doctors on the East and West coasts translates into a saving of 75 gals of fuel oil, or 100 therms of gas. On a national basis, that becomes half a million barrels of oil a day, or $5 billion a year.

Further savings can be obtained by fixing leaks in air ducting. Both LBL and Princeton have found that as much as 20% of the hot air fed into ducts leaks out into unheated attics and crawl spaces. The same has been shown to be true for cold air in central air-conditioning systems.

The parallel efforts at Berkeley and Princeton have shown an interesting effect: house doctoring seems to be just as cost effective in warm climates as in cold ones, though the precise measures are sometimes different. It should be noted that the research which has led to the identification of the ways to save $5 billion a year cost the Department of Energy a mere $1 million a year.

April 7, 1981

CATEGORY B3. DEVELOPMENT OF NEAR-TERM TECHNOLOGIES.

CASE a) No US Manufacturer Exists.

Hirst et al.[1] present as exhibit No. 12 Electric Heat Pump Water Heaters. Two more examples are gas-fired heat pumps and residential air-to-air heat exchangers.

In the case of the heat exchangers, no US manufacturer is yet in production, but LBL set up a test facility in 1978. We tested the foreign models and found one that was not suited to severe American / Canadian winters. These tests helped pioneering builders of energy efficient homes to choose the appropriate units.

When the first American prototype arrived in 1980, it worked badly, but we were able to suggest modifications which were quickly adopted by the manufacturer, who now plans to become the first US producer.

CASE b) Industrial Inertia.

There are cases where large manufacturers, quite capable of introducing an innovation do nothing because no single manufacturer wants to "shake the boat". An example was the high-frequency fluorescent ballast, described in our last example.

Example 4

Mechanical Ventilation and Heat Exchangers for New Homes

To assure good indoor air quality, homes should probably have about 2/3 of an air change per hour (ach). We have mentioned several times in this report that to heat 2/3 ach all winter takes 200 gallons of fuel oil, or 250 therms of gas.

If new homes are built with a carefully installed vapor barrier, natural infiltration is reduced to about 1/10 ach, and can be replaced with mechanical ventilation through a heat exchanger with an effectiveness of about 75%. Such devices retail from $250 for a window model (the price should come down with mass production) to $500 for a central unit. They use only 50 to 150 watts of electric power, and save over 100 gallons, perhaps 125 therms, per year.

By 1990, we should have at least 10 million new dwellings. We consider the savings from heat exchanger both in winter and summer.

In winter the savings is 15 million Btu x 10 million homes = 0.15 quad, worth nearly $1 billion per year, about 3 million per day.

In summer, a water-permeable heat exchanger can turn around outdoor water vapor as well as outdoor heat, and it is the water vapor that puts 2/3 of the load on an air conditioner in the humid southeast of the U.S. A permeable exchanger can save about 1/2 kw of peak power in the warm, damp parts of the U.S., where perhaps 2.5 million new homes will be built by 1990. That represents an additional savings of 1.3 GW of peak power, which costs our utilities about $1 per installed watt. The capital savings is then another 1.3 billion.

The federal effort so far in heat exchanger testing facilities has cost less than $1 million. For every year that full market acceptance of heat exchangers is accelerated, the nation gains $100 million. This is an excellent rate of return on a modest federal investment.

Example 5

HIGH-FREQUENCY SOLID-STATE BALLAST FOR FLUORESCENT LAMPS

There are two ways in which the efficacy of fluorescent lamps can be improved. First, it has been known since 1950 that if the lamps are driven at high-frequency instead of 60 HZ power from the utility, their lumen output per watt (efficacy) improves 15%.

Secondly, for every 100 watts input into a typical conventional fluorescent fixture, 16 watts goes to heating the steel and iron "ballast" and never gets to the lamp.

By the late 1970's, advanced electronic technology made it possible to design a solid-state high-frequency oscillator which could power the lamps and have internal losses of only a few watts instead of the typical 16 watts. The lamp becomes more efficient because it does not turn off every half a cycle at the high frequencies (no flicker) and the ballasting is done at high frequencies which use smaller components that have less heat losses. The combined savings for a typical 100-watt fixture are then 10 watts from the ballast and 15 watts from the lamps, totaling 25 watts. As to price, the normal ballasts cost about $6.00 wholesale, and tend to be noisy; the new ballasts will sell for about $20.00; both sorts last about 15 years.

The favorable economics for each lamp are as follows: over 15 years, the extra $14 investment will save 1300 KWH, worth about $65.00. Using a 10% real interest rate (in constant 1970 dollars) the cost of conserved electricity is 2.1 ¢/KWH, much cheaper than the average commercial-sector price of 6¢/KWH. In addition, the new ballasts are capable fo continuous dimming, both to take advantage of daylight, and to keep a constant light level on the task below as the lamps degrade with time.

If economics (2.1 ¢/KWH) are so favorable, one wonders why the lighting industry waited for a federal incentive program, or how much this program advanced the inevitable development.

The ballast industry is very similar in structure to other sectors of the lighting industry, namely a very stable industry dominated by four to six large companies with many small companies comprising a very small percentage of sales. Because of the structure of the industry and the relative stability of the market share, it is very difficult for small companies to infiltrate the marketplace and be competitive. There is also little incentive for the large companies to rapidly innovate new technologies, especially when the innovation will require substantial investment on their part, since the results will probably be duplicated by the other companies at less cost, and market shares will not change drastically.

Box continued on next page

Example 5 (cont'd.)

Looking for cooperation with industry, LBL issued a competitive request for proposals four years ago to develop a solid-state ballast that would improve efficiency by 25%, offer continuous dimming capability, and be lighter/smaller in size. The large ballast companies not only refused to respond to the request for proposals, but published many statements that solid state ballasts would never make it due to first cost, technical problems, adverse affect on lamps, consumer acceptance, etc., etc. The LBL program worked with two small contractors to develop and test solid state ballasts. As a result of the successful tests, a large corporation, Beatrice Foods, purchased the rights to one of the ballast designs, conducted a large demonstration (cost-shared with DOE) of the ballasts, constructed a manufacturing plant, and is now taking orders for solid state ballasts. Since Beatrice Foods has the funds to impact market shares in the ballast industry, all companies were forced to reevaluate their position. Recently, seven manufacturers have announced the development of an energy saving solid state electronic ballast. At least two of these seven are large ballast manufacturers that did not respond to the original request for proposals. Total expenditure of public funds in this area has been less than $1.5M and the results have been the availability on the commercial market of a solid state ballast for fluorescent lamps and the acceptance by the ballast industry of this new energy saving technology.

In 1980 the electronic ballast systems were assessed for total performance; that is, we considered all of the improved attributes of the electronically ballasted system--the tighter system control brought about by improved voltage regulation, the regulation of light output, and the ability to dim lamps, in addition to the 25% "intrinsic" improvement in system efficiency. Among our findings, now being compiled for publication as an LBL report, we demonstrated that total energy savings can be as high as 40-70%.

Finally, we note that at present the U.S. consumes annually about 220 x 10^9 KWH in fluorescent lighting.* A market penetration of 25% with a 35% improvement in efficiency at .05 per KWH results in annual savings to consumers of $1 billion--not bad for a total DOE catalytic investment of $1.5 million!

* At 5¢/kWh, this costs more than $10 billion a year, or twice the entire non-military, non-strategic petroleum reserve budget of DOE.

April 7, 1981

REFERENCES and NOTES

1. E. Hirst; W. Fulkerson; R. Carlsmith; T. Wilbanks; "Improving Energy Efficiency: The case for Government Action; Oak Ridge National Laboratory, March 1981.

2. D.M. Moschandreas; H.E. Rector; P.O. Tierney; "A Survey Study of Residential Radon Levels," Geomet Technologies Inc. Report ES 877 to LBL Jan. 14, 1981.

3. M.D. Levine and J.E. McMahon; "Residential Energy Conservation and Market Behavior," LBL report in preparation.

4. To calculate the cost of conserved energy, we assume that the homeowner finances his investment in efficiency via a 20 - year loan at a real interest rate of 3% in 1980 dollars, and no fuel price escalation beyond general inflation. This corresponds to a capital recovery rate of 6.7% per year.

5. The resource energy associated with 1 kWh of electric sales is 11,500 Btu burned back at the power plant.

April 7, 1981

Appendix A

Improving Energy Efficiency: The Case for Government Action

Eric Hirst
William Fulkerson
Roger Carlsmith
Thomas Wilbanks

Energy Division
Oak Ridge National Laboratory
Oak Ridge, Tennessee 37830

March, 1981

TABLE OF CONTENTS

	Page
Introduction	1
Barriers to Conservation	8
The Role of Government in Improving Energy Efficiency	17
Conclusions	31
Bibliography	33

Exhibits:

1. Improving U.S. Energy Productivity: The Least-Cost Strategy	4
2. Benefits to the Nation of Improved Energy Efficiency	5
3. Obstacles to Rapid Adoption of Energy Conservation Options	8
4. Retrofit Potentials at Institutional Buildings	11
5. Household Retrofit Actions: The Need for Government Programs	12
6. Market Failures Associated with Energy Efficiency of New Homes	14
7. Changing Patterns of U.S. Energy Consumption	15
8. DOE's Low Cost/No Cost Energy Conservation Program	19
9. The RCS Model Audit: An Example of Technical Assistance	20
10. Federal Energy Efficiency Standards: New Car Fuel Economy	22
11. TVA's Home Insulation Program	23
12. Heat Pump Water Heaters: A New Technology	25
13. Industrial Low-Temperature Heat Utilization	26
14. The Annual Cycle Energy System	27
15. Estimated Benefits of Government Programs	29

76-703 0 - 81 - 34 (6b)

Appendix B



ENERGY CONSERVATION HOME REQUIREMENTS AND AGREEMENT

For Individual or Multi-Family Dwellings

Pacific Gas and Electric Company

ENERGY CONSERVATION HOME PROGRAM
for Individual or Multi-Family Dwellings

Standards for Qualification

I. **General**

The purpose of these requirements is to improve the energy performance of residential dwellings.

II. **Minimum Standards**

A. To qualify as Energy Conservation Homes, dwelling units will be rated by a scoring system with points determined by the potential for annual energy savings of three therms of gas or 30 kilowatthours of electricity. Actual savings may be higher or lower depending on individual operation and locality. One point is also given for each 2,000 gallons/year of water savings.

B. All gas and electric appliances incorporated in the dwellings are to be approved and/or certified by the American Gas Association and/or the Underwriters Laboratories.

C. Qualification procedure will be as follows:

1. PG&E customer.
2. Minimum number of points per dwelling will be: . . . . . 50 points

D. The partial list of energy conservation systems and devices which follows includes alternatives to be considered in the construction of dwellings to Energy Conservation Home standards. Unless otherwise specified, points will only be allowed *once* for any feature, AND WILL NOT BE ALLOWED FOR FEATURES MANDATED BY STATE OR FEDERAL CODES.

A builder may desire to incorporate other energy conserving features in lieu of those listed or may wish to make a specific points calculation for listed items to fit the particular climate zone. See Paragraph II-A when making such calculations. Figures are subject to PGandE verification and approval.



	Points Allowed	Score	Incremental cost ($)
(1) Major Appliances:			
Gas Range	13	13	-
Oven with light and window	1		
Microwave oven	10		
Dishwasher with switch controllable drying cycle	5		
Gas dryer outlet	10	10	25
(2) Space Heating/Cooling			
Set-back or programmable thermostat (not for use with heat pump)	16	16	60
Clogged filter indicator	8	8	20
Used with air conditioning	10		
Air conditioning - 1 point per 0.1 increment in EER exceeding state requirements. Points will only be awarded in areas where air conditioning is required as defined in PGandE Schedule D-1.			
Solar Assisted Space Heating System: One point will be awarded for each 2 square feet of properly located (orientation and tilt) collector			
(3) Water Heating:			
Insulation blanket	5	5	25
Solar Assisted Water Heating System: One point will be awarded for each square foot of properly located (orientation and tilt) collector			
Insulated hot water piping first four feet from water heating unit	2	2	15
Insulated hot water piping throughout	5		
Showerheads with flow-control devices rated at 2½ GPM or less	4	4	10
(4) Weatherization:			
Caulking (per 1,000 sq. ft. of floor area) (Assume a 1,500 sq ft house)			
– Exterior sole plate only	7		
– Seal all plug outlets only	4		
– Total exterior (doors, windows, electrical/plumbing penetrations, sole plate, top plate, plug outlets)	23	35	200
Ceiling R-30 (per 1,000 sq. ft. of floor area)			
Heating benefit	5		
* Cooling benefit	2		
Walls R-19 (per 1,000 sq. ft. of wall area)			
Heating benefit	7		
* Cooling benefit	4		
Perimeter insulation for slab on-grade floors with moisture barrier (per inch of insulation thickness exceeding state standards)	12		
Conventional floors (per 1,000 square feet)			
– R-19 instead of R-11	2		
– R-11	10		
Double glazing (per 25 sq. ft. window area)			
Heating benefit	3		
* Cooling benefit	1		
Thermal drapes, moveable insulating shutters, blinds, roller shades, integral louvered screens or other glazing insulation features (per 25 sq. ft. window area)			
Heating benefit	2		
* Cooling benefit	1		
Reflective glass or film on east or west facing glazing (per 25 sq. ft.)			
* Cooling benefit	4		
Subtotal		93	$355

*Points awarded only in areas where A/C required – see (2).

	Points Allowed	Score	Incremental cost ($)
Insulated exterior doors (per door)			
– 2" wood, solid core	1		
– 1⅜" with solid polystyrene core and thermal break	1		
– 1¾" with solid urethane foam core and thermal break	3		
Attic ventilation (* cooling benefit only)			
– Eave vents with continuous ridge vent	4		
– Eave vents with gable vents	2		
(5) Chimney (fireplace):			
Positive damper, without gas outlet	3	3	-
Fireplace – Glass doors	5		
– With heat exchanger	6		
– Connected to central space heating ducts	5		
– With outside combustion air supply (dampered or used w/glass doors)	2		
Free-standing model	10		
Air tight wood burning stove	20		
(6) Lighting:			
All incandescent and fluorescent fixtures surface mounted	2	2	-
Fluorescent Application:			
– Exterior - Porch/Patio	3		
– Kitchen area	5	5	-
– Laundry area	1		
– Bathrooms (all)	7	7	20
– Bathrooms (full only)	5		
– Recreation or family room	3		
– Shop or garage	1		
(7) *Passive Solar Design Features*			
Heating Benefit:			
*House to lot orientation (minor axis within 25 * of true south)*	*15*	15	- *
South facing glass in excess of 25% of total glazing area (per 3 sq. ft.) (Where glazing exceeds 22% of floor area of room being passively heated, room must be protected from excessive heat gain)	*2*		
Evergreen trees providing protection from prevailing winter winds on north, northeast or northwest exposure (per tree, 15 gal. minimum if newly planted)	*1*		
Cooling Benefit:			
Deciduous trees providing summer shade on west, east, or south facades (per tree, 15 gal. minimum if newly planted)	*2*		
Roof overhang or operable exterior awnings on south exposure for each 2 inches exceeding 12 inch horizontal overhang (maximum 32" overhang)	*1*		
(8) *Active Solar Design Features (for future adaptation):*			
*Increased slope on south-facing roof (minimum unobstructed roof surface 8 ft. x 8 ft. with required structure to support future solar panels) (per each 5 * over 25 * slope, 40 * maximum)*	*2*		
Rough plumbing for future solar hot water retrofit (must include 2' x 2' minimum space and stubbed control valves for future hot water storage tank)	*5*		
(9) Other			

* Can account for extra costs due to site constraints or poor planning

TOTAL POINTS	125	$375

Mr. YATES. Mr. Hester is appearing on behalf of the National Governors' Association.

Mr. HESTER. Pin stripped suit.

Mr. YATES. Well, that ought to be the State Department.

At any rate, who wants to start?

Go ahead, Mr. Hester.

Mr. HESTER. I am Lex Hester, Energy Director for the State of Florida, on behalf of the National Governors' Association. I am staff chairman of the Committee on Conservation and Renewable Resources which is a part of the National Resources Committee and some 28 Governors serve on that committee.

I am somewhat apprehensive about being here today because I know you are being bombarded by everybody who wants more money. At the same time the National Governors' Association when the Governors met in their winter meeting supported the basic philosophy of rather deep budget cuts. However, they identified the energy conservation area and the emergency preparedness area and low income weatherization as programs that they particularly wanted to try to reduce the amount cut.

On the National Resources Committee there are some 15 major categorical grant programs and 12 of those have been zeroed by the total budget recommendations. On only two of those, which I just set forth to you, is the National Governors' Association here on the Hill officially asking for some relief. So basically the Governors are supportive of working with the budget and at the same time we think we can be penny-wise and pound-foolish in the energy area.

I want to make four basic points to you. One, we think that the conservation programs as administered by the States are inflation restraining. The previous speakers and the people on this panel with me are all talking to you about R&D programs, some of the innovations that are being made, and we will continue that effort and continue to document that effort to take advantage of the possibilities. The States are in effect a hands-on type of operation, we are the ones that deliver the programs in the field.

Sometimes there has been a misconception that the States are primarily information planning types of organizations. Actually we consider ourselves a hands-on type of organization, we physically pass building codes and oversee them and implement them and we physically see that purchasing and procurement takes place. We force the right turn on red as one of the mandatory requirements in some of our legislation and I could go on and on with that.

I am going to give you some concrete examples of programs administered by States momentarily but in the inflation restraining aspect in my own State of Florida, and I am sure the figures are virtually the same for the national representative prices constant across the country more or less, in the last 24 months fuel oil for home heating purposes has increased 112 percent in cost.

Mr. YATES. Do you need fuel oil in Florida?

Mr. HESTER. Yes, a lot of it, especially in the capitol and Tallahassee and north Florida.

Gasoline has increased 94 percent, electricity costs have increased over 40 percent and that is within the last 24 months. Now if you extrapolate that nationwide, you are talking about enormous amounts of money sucked out of the economy. The money that goes

for energy price increases is not as good. We always talk about manufacturing jobs having the multiplier effect of creating five more jobs.

Energy dollars, of which probably 40 some percent flows out of the country, even those that stay in our country do not recirculate and stimulate the economy. In my case it produces an importer State primarily. We lose virtually all of those dollars. Last year in my State we saved 16.7 million barrels of oil equivalent by our energy program. The Energy Department and the legislation that is passed by Congress requires us to calculate energy savings.

In the early years of that savings, I think the legislation came on the books in 1975 and 1976, there was some criticism about the validity of some of the figures of BTU savings, converted oil and dollars. We think we have straightened that out. We think we have got pretty solid figures now. The figures for 1979 show that nationwide, and these are from the Department of Energy, a compilation of all 50 States, that 310 million barrels of oil were saved. You convert that to dollars and it is over $10 billion.

Now as one of the earlier speakers said, that is money in effect taken away from reindustrialization capital needs. You suck all that money into energy, you do not have it available for a more productive job creation and the kinds of things that we want to achieve.

It is an important point that those barrels of oil were saved for a cost of $5.40 whereas a barrel of oil sells for $30 to $35 and even more important than that, that is a recuring saving, that was the actual physical cost to save each of those barrels of oil and yet we should save those year after year in a stairstep approach.

The second point is the cuts are based on a marketplace approach that price signals should be the criteria that will bring about conservation and we, as some of the other speakers have indicated, believe that the price signals are extremely important but they alone are not enough to do the job, that the consuming public, whether it is business or the individual, needs assistance in what to make in those alternatives. Basically since 1973 most of us have done the easy things. We have adjusted our thermostats, we have cut off the lights, we yell at the kids if they leave the TV on and those kinds of things but now it is down to the rather difficult types of decisions, whether to go to gas or whether to put in a more fuel efficient oil burner or whether solar pays for itself, and you could go on and on with the sophisticated kinds of examples.

The consuming public needs technical assistance and help and that is what the States use a great deal of Uncle Sam's dollars for. There were two or three examples given by previous speakers of places where the marketplace does not work. One was landlord rental property where the price signal does not get directly to it. Another one I would give is particularly applicable to Florida, maybe not quite as much as Illinois, but air conditioning is extremely important. The state of the art, the technology for highly efficient air conditioners is clearly here, there is no problem producing the equipment. The price is right. The signals are clearly there and yet the marketplace, only about the end consumer does not make this choice, it is the homebuilder and he is trying to hold down

that overall cost so the end consumer never gets to look at that life cycle cost.

Only about 20 percent of the air conditioners being installed across the country today are in those high energy efficient ranges. Clearly the price signal alone is not doing the job there. One of the earlier speakers mentioned hospitals and he didn't point out that not only is the price signal not working there but the reason for it not working is that a hospital does not have the incentive because they calculate their payments—Medciaid, Medicare and insurance premiums—it is a direct passthrough for them. So even though energy costs have skyrocketed, without some additional stimulus it is not really there for them as a group investment. I don't want to belabor that point but the marketplace needs help to supplement the price signals that are going to be there.

Thirdly, I work with low income people. The States are the ones that identify who the low income are to spend your money that you are putting on the table.

Mr. YATES. What do you have in Florida, the needy or the truly needy?

Mr. HESTER. I think truly needy is the right word. In Florida we have an awful lot of senior citizens and they think they are truly needy. An example of a program is the weatherization program and it has been suggested that it be transferred to the community development block grant which first of all is basically an urban program so you would miss the rural areas. Secondly, there is no increase in funds. The local governments are expected to take on a $200 million program at the same time they are sustaining a cut in the basic appropriations of community development and block grant. Weatherization is an excellent example of an investment program as far as Congress is concerned. You spent $1.8 billion of loan income energy assistance where you literally pay fuel bills that goes up the chimney in a single year and it is a repeat of this year's recommendation as a 25 percent cut by the new administration to $1.4 billion. The $200 million that is spent on weatherization does away with that need to every year pay out four, five, six hundred dollars to help pay for fuel bills.

The fourth item I want to touch on is emergency preparedness. We had the 1973 emergency and we had some disruption in 1979. In my own State we had a truckers' strike where we had to respond on the emergency preparedness basis.

Our biggest industry is tourism and we had a short down fall in that when you could not get fuel up here and in other parts of the country. To our State it was an emergency because tourism jobs are in effect our steel mill, if you will, it is our number one employer. Recently eight of the States particulated with the International Energy Agency in an international simulated allocation growth. The findings in that were stunning about the economic disruptions that occur at relatively low levels, 10 and 20 percent worldwide shortfalls. In my own State unemployment would have risen two percent, excise tax revenues would have been off 30 percent, tourism would have been cut in half. Low disruption of energy can just devastate the economy and that effect would occur nationally as clearly demonstrated by the State that participated.

I want to turn now to just hurriedly a few quick examples of highly successful programs operated by the State. One of the programs that is operated by most States is the boiler efficiency program where we train boiler operators to help calibrate boilers and make them more energy efficient. New York has an extraordinarily successful program and they trained some 1100 boiler operators last year and the net savings that came from that effort, certified savings that I can give you more than you want to read but clearly how we arrived at those savings.

Mr. YATES. Well, he's got all of it.

Save some $95 million in oil in a single year—in a single year. Now the entire appropriation for the SECP, the State Energy Conservation Plans, and the Energy Extension Service were only $72.8 million last year. A single State with a single program saved its consumers $95 million and they saved the average business over $150,000, 185,000 gallons equivalent of oil per business, 83 percent of the facilities represented at the seminar saved at least 3.4 percent of their energy and we could be go on and on with that kind of example.

Another program that is mandated by the State in its conservation plan is that the States adopt thermal efficiency building codes and lighting efficiency building codes. Oregon is an example of one that adopted a code in 1974 where they were one of the first States to adopt a code. Homes built today in Oregon are 40 percent more fuel efficient than homes that were built just five or six years ago and the cumulative effect of that nationally is absolutely overwhelming. We have had the same experience in Florida. We were a little late starting, we just passed our revised code last year but the savings are so dramatic that the payoffs are very demonstrable and can clearly be quantified and demonstrated.

Mr. YATES. What do your builders say about that?

Mr. HESTER. In Florida our builders were very enthusiastic about it and I guess I should be honest with you, they were somewhat alarmed by a national building code. Florida being a sunshine state, you alluded earlier about our lack of need for fuel oil, the standard national code, ASHRA 975 which is one of the nationals adopted by everybody, required in effect that in south Florida you could not have any windows, you had very heavy mass requirements in the wall. So we made our code more flexible to fit Florida's conditions, achieve the same results, so our builders are very enthusiastic about it and strongly support it and think it is good.

Mr. YATES. What does it do to the building code?

Mr. HESTER. It talks about $1,300 to make a typical home these days conform to the code standards which is——

Mr. YATES. Do think they are more than their other costs would have been?

Mr. HESTER. Yes.

Commercial energy audits, most States——

Mr. YATES. Let me interrupt again. Do those standards apply to apartment buildings as well, condominiums, or just to new homes?

Mr. HESTER. New Construction, yes, they do. It is a different section of our code.

Commercial energy audits, most States are offering programs and encouraging business to get into energy audits and the big

industrial concerns have done a good job but as you get into the smaller businesses they are having difficulty doing that without assistance. In Florida we have used our Energy Extension Service to target certain groups. We have targeted the hotel/motel and restaurant field which is particularly productive. We have targeted builders and financial institutions as groups we particularly want to reach because they are on the firing line where the decisions are made and where there can be dramatic savings made. In Illinois their energy audits last year saved some 13 trillion BTUs and they saved each customer $9,000 to $36,000 in annual recurring energy savings with their program.

Another program we are required by law is in procurement practices, that we are to look at all our governmental procurement practices and ways to save money. Washington State is an example and has an excellent program there and they have done everything from gasohol for State vehicles, the recycling of waste drain oil; the recycling of scraps from the State printer into scratch pads; the use of econ-o-watt lighting, the purchase of more efficient automobiles and trucks and on and on. They think that they can measure a savings of $9,200,000 in energy savings and it cost them $194,000 to implement those procurement savings that they share with their local governments and with their State bureaucracies.

I have other examples, Mr. Chairman, but I think I should cut this short because you have a distinguished panel here.

Mr. YATES. The examples are in your statement.

Mr. HESTER. Yes.

I want to leave this with you. This is a book that we did in 1980 and it is full of individual programs from States. Most programs operate 30 or more energy conservation programs.

A part I want to close with is that although we have been talking about conservation since about 1975 it has really been the last two years that it has really begun to pay off. This year and not until this spring did the residential conservation service home energy audits really come on line. Energy Extension Service was just last year, schools and hospitals only about a year and half old. So you are just really beginning to bear the fruit from a rather massive energy conservation of some of the national programs like Harvard's energy program or the Mellon work. All of that stuff has come out in the last two years. You are now ready to go to the bank window and collect the payoff and it just seems to us to be sheer folly to go off of that program which we think can clearly be demonstrated as a success.

Thank you.

Mr. YATES. What you are saying is it does not make sense to cut a $900 million conservation appropriation by $700 million.

Mr. HESTER. It is the cheapest investment you can make.

Mr. YATES. Right.

Are you next?

Mr. ROSENFELD. I guess.

Mr. YATES. All right.

Mr. ROSENFELD. I am Art Rosenfeld. I am physics professor at the University of California at Berkeley and I run the pure research in building sciences program called Energy Efficient Buildings Research at Lawrence Berkeley Lab. So much of the argument for the

effectiveness of conservation has been said already. I think I will make my remarks rather quantitative in saying venous Hester. However, I do want to make one point about funding quite clear and that is what seems to suprise most people even on this panel is that the Reagan administration has said that a pure research field such as the one which I direct is not to be cut because clearly industry is not going to support research in building science and indoor air quality. Unfortunately, it has in fact been cut to about a half and the rhetoric just does not match the numbers so that is a fairly important point that I would like to make.

Now I would very fast, however, like to make the additional points that throughout the economy the consumer does not see the true price or the true cost of fuel, he does not see the national security problems when he buys a refrigerator, for example. On the other hand the problem is much worse in the building sector because there are no energy labels on houses. How the heck can you expect the energy market to work when you don't know how much your house is going to use and it would be trivial to put them on with a little bit of Government help. There are not time-of-day meters on houses so even if the customer were buying the air conditioner, the consumer does not know about peak power costs, he pays only the average cost of the power.

Mr. YATES. It occurs to me that I don't know why Mr. Hester's builders don't advertise the fact as to what they are doing on their energy savings to customers of their new homes.

Mr. ROSENFELD. In California that is what is happening in the houses and the air conditioners are selling like hotcakes.

Mr. YATES. At California prices unfortunately.

Mr. ROSENFELD. Maybe.

Mr. YATES. All right.

Mr. ROSENFELD. Thirdly, utilities sell at the average cost and not at the marginal cost. I will be happy to retreat on some of my requirements that we help the market when the pricing structure becomes right.

Finally, there is no infrastructure of inspection. There are a lot of claims that energy efficient buildings are being built. California, like Florida, has building standards but we go out and we do field work and the houses are just as darn leaky now as they were five year ago and we have shocked some big California builders so much by measuring their houses that they are now retrofitting new houses before they sell them because they are embarrassed.

Mr. YATES. They are embarrassed?

Mr. ROSENFELD. That is true.

Mr. YATES. You mean they built the old houses under an existing code?

Mr. ROSENFELD. They build their houses according to what they think is something called California Title 24. Then we go out and we put in a pressure fan and we measure them and they have one and a quarter air changes per hour of air leakage. Then they say, oh, my goodness, we won't pass the new labeling system, we better retrofit. So now we are advising one contractor who is retrofitting 600 houses he just built. I am sure that is true in Florida, too.

The point I want to make is you can do a lot with labels but if the labels lie, they are not even necessarily terribly effective. It is

easy to put labels on cars and equipment because you can check them on an assembly line. It takes a little thinking to put credible labels on houses and the only way you are going to get creditable labels on houses is to have a little bit of equipment which will do the right measuring and that is probably going to be developed by Uncle Sam because it is silly for 48 States to start research labs to do it.

I have some testimony which is, of course, too long to go through.

Mr. YATES. Your statement is in the record.

Mr. ROSENFELD. I have a number of pictures and some boxes of success stories and what I propose to do is to go through them very fast and I will get to the California efficient houses selling well in a moment. The first three pictures are on indoor air quality and basically they say here is an important field, it is probably going to be a more important field than outdoor air quality simply because everybody is at home more than he is outside and indoor air is always worse than outdoor air and the program is being cut.

The next point we try to make fairly seriously is the following. The Reagan administration says, very commendably, let the marketplace work. What they don't say is how sluggish is the marketplace and how good is our analysis to see how fast it responds to energy prices. Now, sure, you raise the price of fuel and cars will get better and buildings will get better. In the case of cars everybody knows it is taking 10 years roughly to catch up with the Europeans because even with mandated standards and stickers on every car it just took Detroit 10 years to catch up with Stuttgart, that is a well known fact.

Now in the buildings business instead of there being four major manufacturers there are 40,000 builders who build more than 10 homes a year, there are no standards and there are no labels and we are supposed to expect the marketplace to respond rapidly. That is pretty childish, it needs lubrication. So what we did is we took the data from the National Association of Home Builders' survey every four years, we calculate what the energy is at various places in time, we calculate what the least cost building would be and we find that it looks as if a gas heated house will catch up with today's least cost in something like 20 years and an electrically heated house will catchup with today's least cost somewhat after the turn of the century.

Now if we are all that relaxed about the marketplace and we can wait until the year 2010 to get down to least cost, what is all this problem about emergency planning in which the administration is putting so much effort? The marketplace responds in a fragmented industry slowly, it needs labels, it needs inspection, it needs information programs. The consumer needs to believe that when he is buying something it will work and that requires a certain amount of Government stimulation.

I will now mention a little bit about the success of a voluntary program in California initiated by the Pacific Gas & Electric Company which is one of the country's largest utilities. I have here a plot which gives the same successes roughly as Mr. Hester told. In 1973 a new house in northern California used 1,100 therms of gas for heat plus some for hot water and cooking. It started down as prices went up and by 1978 it was down from 1,100 therms to 800

therms which is pretty good, it is 30 percent, but nevertheless if you draw a line out to today's cost effective minimum it won't get there until the year 1990.

Now a couple of years ago PG&E decided to try a voluntary labeling program. Since Government was able to help, we at LBL calculated tradeoffs for them, calculated the score sheets. PG&E printed them, builders started building them. What the builder found very soon was that those houses sold a lot faster than the ordinary house. Now the program is so popular that two-thirds of all new what are called connects in the PG&E service territory are voluntarily labeled. Moreover, the voluntary labeling system exceeds the threshold for getting the label by something like 25 percent.

The typical house is now down another 20 percent above the previous gains from price alone. Half the houses in the labeling program are down 35 percent and are down two-thirds of the way to least cost in a single two-year program which did not cost anybody anything. But the labels are credible, they had to be inspected. There were a hell of a lot of callbacks of contractors who did not know what to do. It took some help to lubricate the marketplace. The program has in fact been judged so successful that the State is going to take it over and ask all the utilities to run such a program.

So labeling is extremely important. As I look back on it it is very hard to understand why the country had exactly the right instincts in automobiles and were so scared of houses. In automobiles we did go for mandatory fleet-wide standards but in addition we knew that what would really drive the market to work well was EPA stickers on every windshield and that has really worked and that is what people really have faith in.

Now we ought to do exactly the same thing for buildings, we ought to do it for every new home, every new commercial building, every RCS audit which we are going to spend a lot of money on anyway and should result in a label on every house and building and then when people buy even secondhand buildings they will know what they are buying and the marketplace can work. Right now if you invest money in a retrofit no one is likely to believe you because you cannot see the new insulation in the walls particularly.

The labeling program need not be mandatory but it does need Federal help. I repeat that two States as powerful as California and Florida did not have enough savvy to put in the infiltration and air reduction requirements and labels because they did not know how to measure them and they did not know how to check on them later. The Federal Government can do that easily. So a fairly small amount of money, a few millions of dollars, can provide the infrastructure to a labeling program and the payouts are giant.

The next example I want to give is a small amount of work on heat exchangers for new homes. New homes today are built theoretically with about six-tenths of an air change per hour of the wind sort of slopping through the house like water through a lobster trap. You heat it and then an hour later it has blown out. It is a thousand pounds of air every hour that corresponds to one air change per hour. There are a lot of furnace heat pumps in resi-

dences in California but the houses are built that way but in order to do that you then have to provide mechanical ventilation and you have to recoup the heat; otherwise you would, of course, be back to paying the same price.

Such so-called heat exchangers are manufactured in Europe, such heat exchangers are manufactured in Japan. It took us, with a fair amount of prodding, something like three or four years to interest an American manufacturer so the first thing we did was to set up a facility for measuring the foreign ones and testing them in Berkeley. That already was a service to the American home builder, to the pioneer who wanted to build a tight house.

Finally the first American manufacturer arrived with a prototype and it was full of mistakes. Within about three weeks we convinced him of how to do it right and within another three weeks he was back with a working model. He has now decided to go into business. So the first American ones will appear fairly soon.

We are absolutely sure that by having just this sort of small facility around which costs us maybe $50,000 a year to operate we have advanced that happy year when all American homes will have heat exchangers by at least four or five years. Every year in which we make this savings we will save in new homes $100 million a year and it is inconceivable to me to believe that our program has not advanced that by five years which is $500 million. For a program which costs $50,000 to operate, why are our funds being cut out?

My final remark, I want to give another success story in the lighting field from Berkeley, a program which was also cut out and I hope will be restored. Grant Thompson said maybe I would say something about windows but I am going to talk about fluorescent lights, these common things. Now to put lighting in context let me first say in this country today our energy bill is a little over $1 billion a day, it is about $380 billion for the whole country. Buildings consume one-third of that so $133 billion a day.

First remark in context. The whole buildings program at DOE under Carter was less than $133 million a year so less than one part in a thousand at a time when the potential for saving the energy is for saving 30 to 50 percent of that energy with the right information programs and some research.

Now let's look at lighting. These things up there consume 200 what are called billion kilowatt hours per year and that represents about $10 billion a year to feed such lights. That is twice the total nonsecurity, non SPR part of the entire DOE budget. At Berkeley in one program costing less than a million dollars we figured out how to improve these things by 40 percent. The savings for that represents something on the order of $4 billion a year. We have convinced large industry this is right and General Electric, Sylvania, Westinghouse, Beatrice Foods and Ace Ballast are all building plants to do it. They would not be building that if it were not for a $1 million Berkeley program.

We are sure we have advanced the state of the art by several years. The savings are bound to come because the ballast last only seven years so they have to be replaced and so the savings will surely come. It is like cars, they have to be replaced. The return on investment on a single program pays for the whole DOE monmili-

tary programs. Why are such programs being cut in such haste? Why don't we keep our analytical capability and check more on the great successes of these programs and cut them after a few years' study and after the administration can show us how well the marketplace works instead of simply asserting blindly that it works.

I thank you.

Mr. YATES. Thank you, Mr. Rosenfeld.

The third member.

Mr. MCBRIDE. Thank you very much, Congressman. I represent the Building Owners and Managers Association International. Our members march building up the shoreline of Chicago towards your district and on into Evanston. We represent high rise buildings principally—the Sears Tower, the John Hancock and the new buildings that are larger in Evanston.

Mr. YATES. The Sears Tower in a high rise?

Mr. MCBRIDE. Yes.

I believe that our industry represents a great deal of hope for many people in this country who see increasingly the economic sector called generally the service sector being employed in buildings such as the ones that we represent and in consequence we are one of the few portions of the building industry that is constructing a fair amount of space at this time and the number of cranes on the skyline of Chicago would be good testimony to that and there are cranes on the skyline of Washington as well so you are more than a little familiar with how many buildings are going up in the office building field.

Mr. YATES. I am familiar with cranes anyway.

Mr. MCBRIDE. We also represent a number of the apartment owners as well. We represent about a billion square feet of commercial office space to give you a feel for the size of it in terms of our industry.

The commercial sector represents about 37 percent of the total energy consumption in this country as has been eloquently pointed out. We have had successful applications of conservation in the industry with about 28 percent documented basically doing such things as was suggested by Mr. Hester and which have been very successful such as boiler tuneups and boiler efficiency.

Low cost, relatively speaking no cost, programs have been fairly widely used and we find really a lot of the energy that can be squeezed out of the buildings has been squeezed out. Owners generally across the country are making real efforts to do the things which have now become part of common knowledge as both of you have suggested are available to be done and it is to that point that I would like to address myself for just a moment.

I appreciate the fact that our written testimony will be included and I would like to kind of summarize it. First of all, what is common knowledge? Common knowledge is that which you know to be true because you heard it from your best friend or you overheard it in another conversation. Sir, that is indeed what we mean. It is the kind of program that Art Rosenfeld has out at Berkeley, it is the kind of program that has been conducted by the Department of Energy in many, many instances that provides us

with factual, field tested information that really helps advance conservation in our building structures.

The subject of windows was brought up. For a period of time a number of our building owners installed windows at great cost to themselves and then discovered that actually the installation techniques used resulted in no more energy savings than the original apparently poor energy-conserving windows had in the beginning and it was not until we began to see techniques to measure quality of the installation which really began to bring back owners to the point where they were willing to think about reinstalling windows. There was a period of time there was a tremendous shakeout in the window industry because the building owners that put them in were not sure they were working, so we need validations.

In addition to that, sir, we need good quality information channeled through levels of trust publications. By level of trust publication I mean the industry trade press with the scrutiny of perhaps a committee of industry members. I do not mean a fancy publication produced on glossy stock and sent to the local DOE office which can then if you call in be sent to you only if you know it is there. That does not work for us. What we need is the normal fruitful channels of communication to be used in communicating to the members of our industry and to many other portions of this industry.

To be specific, the kinds of cuts that have been recommended have been reviewed by our industry and while we understand and are sympathetic with the need to cut back the budget in this area, we are concerned that some of the things that have been going on that were fruitful and useful and which would be wise to finish off properly are not going to be finished off properly and we are convinced that the reason is not that people don't want to, we are convinced that the reason is that the true value of those things are not understood by those who are making the budget cuts.

We are not of the opinion that we would like to see a large staff organized at DOE to pursue these things. We think that many of the things that have already been begun if simply finished well would be very, very successful for us. Now I had reason to double check my figures just a few moments ago but let me go over at least some of the things that I am concerned with very briefly.

The suggestion for fiscal year 1982 is that the Department be funded $13 million. We believe that there needs to be at least another $700,000 in the sector that we might call pure research devoted to the life cycle costs.

Mr. YATES. Which Department are you talking about?

Mr. MCBRIDE. We are talking about the Department of Energy, we are talking about the Buildings Division programs.

Mr. YATES. The Department of Energy does not have an Assistant Secretary appointed yet, but go ahead.

Mr. MCBRIDE. Yes.

Mr. YATES. Except for Governmental Affairs.

Mr. MCBRIDE. Yes, sir. Thank you.

Mr. YATES. Go ahead.

The point I am trying to make here——

Mr. MCBRIDE. I am with you.

Mr. YATES. All right.

Mr. McBRIDE. My concern though is that of the suggested items we specifically feel that the continuation of the research in life cycle costs would be performed. If you want to know what the industry says has been started that looks like it might really result in some help to us, one of the things is we ought to finish off a life cycle costs study because, my goodness, we have started them, we are looking forward to the results of that, it is not something the industry is going to do for itself because we are a fragmented industry. The only kind of glue you have got in an industry like ours is a trade association and I assure you, sir, our budget is not going to be able to do that so in order to be able to do it we suggest it be continued.

In addition, we talked about lighting. Lighting is a very fruitful area, it is about half the cost of an office building if we can proceed with lighting. Incidentally, they are introducing many of the very products you are talking about, at our convention this summer so I can substantiate what he is saying. Many of those companies are introducing this summer great hooplas at our convention.

Mr. YATES. All that came out of that million dollar appropriation.

Mr. McBRIDE. All that came out of that million dollar program, yes, sir. It was a well spent million dollars?

Mr. YATES. Where did you get the million dollars?

Mr. ROSENFELD. DOE.

Mr. McBRIDE. From DOE.

Mr. YATES. I will tell that to the administration.

Mr. ROSENFELD. It was less than a million. We charmed DOE out of enough money to make two RFPs for $200,000. That is all we spent officially on a little monitoring, and both RFPs resulted in successful products which were then bought up by industry.

Mr. McBRIDE. Well, in any case, we think if you went back to the Carter plan for lighting, that is a useful area and I would like to underscore that which is about a billion dollars.

Mr. YATES. If you are trying to get that money out of the Reagan administration, you don't mind if I strike your first wording.

Mr. McBRIDE. The thought out plans of the previous administration in the area of lighting seemed to be worthwhile pursuing because they were founded on the kind of research that has already produced significant results for us and we believe additional results if they are to be produced.

Close examination should also be given to the $4,100,000 that was going to be used out of the FEPs program to think through major metropolitan statistical area applications of information and it is the application of information at the practical level that we are really interested in. We believe that that ought to be closely examined. There is a good part in there that might be useful. We did not go in detail through every part of it but we believe it is useful to take a look at it.

Additionally, we feel that about $1,800,000 could be usefully spent in the area of field validation beyond that which has been suggested. Beyond that we think that if you use existing trade press sources about $600,000 is all that is really needed to bring that information through the ordinary trade press channels. We don't need to go into the glossy brochures if you will just get us the

information through the trade press, and I don't mean our association necessarily. I can direct you to the editors and publishers of other magazines that are read by my members that have perhaps wider circulation than my own news letter though I would be more than delighted to pledge that Home International would be printing information that is available and useful and will help our members to make decisions.

So, in other words, about $4,100,000 to about $8,200,000 we think could be usefully spent. That is assuming that some of the cutbacks that have already been made did not slice into some of the things that we understood would be continued so in that regard I would suggest that perhaps the actual budget in PERT would be reviewed in some detail to determine whether or not what has been said is true regarding the extent to which the cutbacks have occurred which they are certainly more severe as was reported by Mr. Rosenfeld and we have been led to understand.

In summary, we don't think research alone is going to do the job. We need information transfer. We think that information transfer is not that terribly expensive. We frankly don't think that if you added these dollars to the DOE budget that the DOE would need to expand its staff virtually at all in order to spend it wisely mostly because many of the programs that we are suggesting continue in funding, and it is mostly the continuation of funding, are already well underway and trained people are already involved and it is really just sensible, it is good and common sense to finish up what we have started, particularly when some of those things that we have started have proved useful and could have big payoffs for us.

Thank you very much.

Mr. YATES. Thank you.

Thank you, gentlemen, very much. You have been very helpful.

Mr. MCBRIDE. Thank you.

INDUSTRIAL AND TRANSPORTATION

WITNESSES

JERRY BRADY, BLATCHFORD, EPSTEIN & BRADY
DAVID GREENE, OAK RIDGE NATIONAL LABORATORY
DALE JORGENSON, HARVARD UNIVERSITY
RAY KAMO, CUMMINS TECHNICAL CENTER
BENO STERNLICHT, MECHANICAL TECHNOLOGY, INC.

Mr. YATES. Industrial and Transportation. Mr. Brady, Mr. Greene, Mr. Jorgenson, Mr. Kamo and Mr. Sternlicht.

How do you want to proceed, gentlemen? Who wants to go first?

Mr. BRADY. I will.

Mr. YATES. All right. Would you identify yourself.

Mr. BRADY. I am Jerry Brady, Mr. Chairman.

Mr. YATES. Mr. Brady.

Is Blatchford, Epstein & Brady a law firm?

Mr. BRADY. Yes, it is.

Mr. YATES. All right.

76-703 0 - 81 - 35 (6b)

Mr. BRADY. We are a group of companies that represent these companies that are research companies that have been getting DOE funds to advance research for automobiles. We have submitted testimony to you.

Mr. YATES. All your statements may be made a part of the record.

Mr. BRADY. Thank you, Mr. Chairman.

[The statements follow:]

The Impact of Energy Conservation and Conservation Policy in Reducing Inflation

Richard J. Goettle IV
and
Edward A. Hudson

Exhibit supporting the testimony of Dale W. Jorgenson, Professor of Economics at Harvard University, to the Interior Subcommittee, Committee of Appropriations, U.S. House of Representatives, April 8, 1981.

Abstract

A macroeconomic simulation model is used to assess the contribution that can be made by energy conservation to reducing the inflationary impacts of rising oil and energy prices. The conservation program proposed by CS is estimated to reduce the inflationary effects of the oil price rises contained in the DOE Best Estimate projection (2 percent annual increase in real terms) by up to half — without conservation, these oil price rises will add 0.12 percentage points to the annual rate of inflation while with conservation the impact is as little as 0.06 percentage points. The inflation protection provided by conservation is still more significant for more rapid petroleum price jumps — conservation reduced the inflationary impact of a doubling in oil prices by up to 5 percentage points. This insurance aspect is possibly the principal anti-inflationary benefit of energy conservation — the inflationary risk resulting from large oil price increases is greatly reduced.

Summary

This report presents results of the application of a macroeconomic simulation model to assess the contribution that can be made by energy conservation to slowing or containing the rate of general price inflation. The model used for this analysis is the Hudson-Jorgenson DGEM model of the U.S. energy and economic systems. The model allows for the principal inflationary mechanisms associated with rising energy prices, including

(a) higher energy prices directly raising fuel prices faced by consumers;

(b) higher energy prices increasing costs of production and so driving up prices of finished goods and services;

(c) higher prices to consumers resulting, through Cost of Living Adjustments and similar response mechanisms, in higher labor compensation and, in turn, in higher unit labor costs and output prices.

Allowing for these mechanisms, the inflationary impact of rising energy prices is modeled as a dynamic and continuing process.

Energy conservation provides a powerful constraint, reducing the inflationary impact of rising energy prices and, in particular, of rising world oil prices. Model simulations for the period 1980 to 2000 provide quantitative estimates, demonstrating the effect of energy conservation in limiting inflation. The model is used to predict the inflationary impact of rising world oil prices and other energy prices under each of two sets of conditions: first, no new conservation policies or actions and second, the conservation policies proposed by the U.S. Department of Energy for implementation in 1980 and beyond. These conservation policies, for example, are estimated to reduce total U.S. energy use in 1985 by 5 quadrillion Btu (or 2.4 million barrels a day in oil equivalent) and 11 quadrillion Btu (5.2 mmbd oil equivalent) by 1990, compared to the no conservation levels of energy use.

The conclusions from the simulation analyses can be summarized in three points.

(a) Conservation reduces the inflationary impact of rising world oil prices and other energy prices. The inflationary impact of the projected 2 percent growth in world oil prices (the Department of Energy projection) is the addition of about 0.12 percentage points to the annual rate of inflation; with conservation, these same oil price increases contribute as little as 0.06 percentage points to inflation.

(b) The effectiveness of conservation in moderating the inflationary impacts of energy charges increases over time — by the 1990's, the inflationary effect of rising world oil prices is, with conservation, less than half the effect without conservation.

(c) While conservation assists in containing the inflationary impact of steady increases in world oil prices it is even more dramatic in reducing the inflation resulting from large world oil price changes such as those experienced in 1980. For example, the inflationary effect of a doubling of world oil prices in 1990 would be 2.6 percentage points less with conservation than without additional conservation. The inflation saving from a doubling of oil prices in 2000 would be even greater — as much as 6 percentage points.

Conservation reduces the inflationary impact of a steady rise in world oil prices by an amount in the range of 0.1 percentage points off the annual rate of inflation. This is beneficial in itself. Perhaps even more valuable, however, is the risk protection provided by conservation in reducing the inflationary impact of a large and sudden increase in energy prices — conservation reduces the inflationary impact of a doubling in oil prices by up to 5 percentage points.

The Inflationary Implications of Energy Conservation and Conservation Policy

Recent events affecting the domestic prices of delivered energy products have prompted great concern over the inflationary impact of alternate energy strategies. In assessing the relative merits of various strategies, analyses have concentrated on the policy consequences for employment, real economic growth, and productivity advance. Both the nature and magnitude of the inflationary implications of energy policy have been, for the most part, of secondary interest. However, the ability to insulate the economy from the inflationary effects of external energy price increases is clearly important and, hence, merits consideration in the overall evaluation of competing policies.

This analysis examines the potential of energy conservation and conservation policy for moderating the inflationary consequences of rising energy prices. In particular, the long-term inflationary effects of increasing the annual rate of change in the price of refined petroleum products are estimated in two different energy and economic situations. Under both a set of Reference and Conservation energy and economic conditions, the analysis compares changes in the annual rates of inflation in the price deflator for Personal Consumption Expenditures, i.e., the PCE price deflator, induced by changing the rate of increase in petroleum prices. The inflation effects are estimated using the recently completed Dynamic General Equilibrium Model (DGEM) of Dale W. Jorgenson Associates (DJA).

Reference Projection

The Reference Projection from DGEM is a forecast of the U.S. economy and its use of energy over the period 1980 through 2000. The assumptions adopted for this projection are identical to those underlying DOE's "Best Estimate Case" (Policy and Evaluation) and the "Program Planning Case" (developed for Conservation and Solar Energy by DJA and Brookhaven National Laboratory). For the energy projection, the most important assumptions are restrictions on future nuclear electric generating capacity (an upper limit of 150 GWe), the decontrol of domestic petroleum and gas prices, and the future trend in world oil prices (Table 1). As a result, the DGEM Reference Projection is entirely consistent with the planning bases adopted by DOE.

The Reference Projection then was reestimated under conditions of higher petroleum prices. The high price trend for the world oil price (Table 1) was developed by applying to the reference price in a given year a percentage increase based on the difference between this price and the 1980 Reference price. Further, a one hundred percent pass-through to the real price of refined petroleum was assumed. Thus, in real terms, the annual rate of increase in the price of refined petroleum was more than doubled so that, by 2000, the petroleum price was 50 percent higher than in the Reference Projection. DGEM was resolved annually incorporating both the higher petroleum prices and a price-wage-price spiral. This mechanism reflects a lagged response in labor compensation due to the cost-of-living increases attributable to increasingly higher oil prices. Thus, the total inflationary effect is due to accelerated energy price increases and price-wage-price interactions.

Conservation Projection

Next, a Conservation Projection was developed. The assumptions underlying this projection are identical

to those of the Reference case except that the success of CS conservation initiatives leads to the following schedule of primary energy savings (in quadrillion Btu):

1980	- -
1985	5
1990	11
1995	16
2000	23

Table 1

World Oil Price Assumptions

1980 Dollars per Barrel

	Reference Projection	High Price Trend	Percent Change
1980	30.00	30.00	- -
1985	35.00	41.00	17.1
1990	40.00	53.35	33.5
1995	42.00	60.00	41.5
2000	45.00	67.50	50.0
	Average Annual Rate of Change, Percent		
1980-1985	3.13	6.45	
1985-1990	2.71	5.41	
1990-1995	1.22	2.38	
1995-2000	1.15	2.38	
1980-2000	2.05	4.14	

Approximately 50 percent of these amounts represents savings of crude petroleum. As with the Reference case, the Conservation projection was reestimated to reflect the higher petroleum price conditions of Table 1. In addition, the price-wage-price spiral mechanism again was employed in formulating the alternate Conservation case.

A comparison of the inflationary differential between the two Reference cases and that determined for the two Conservation cases provides an estimate of the effectiveness of energy conservation in reducing the inflationary consequences of accelerated energy price increases. However, before presenting these results, it is worthwhile to examine the inflationary consequences of previous increases in petroleum prices. Table 2 summarizes the relevant information. Over the period 1973 through 1979, petroleum price increases added slightly more than a full percentage point to the overall PCE inflation rate. In both absolute and percentage terms, this contribution to price inflation is not large. Thus, while petroleum price increases have had a significant influence on economic performance, they were not the dominant source of recent price escalation.

Table 2 also provides a measure of the relative responsiveness of PCE price inflation to percentage changes in the inflation rate of refined petroleum products (measure in terms of wholesale prices). These measures show that petroleum price increases had an increasing impact over time on the annual rate of change in the PCE price deflator. Even so, the magnitude of this inflationary effect is not large. However, this magnitude is dependent on the rate of inflation in petroleum prices. If, over the 1975 to 1979 period, petroleum prices were to have doubled annually, then, given the relative responsiveness measure of 0.053, the annual inflation rate would have been 11.9 percent. This is 4.6 percentage points higher than the 7.3 percent annual rate actually observed. Under these conditions, petroleum price increases would have accounted for more than one third of domestic price inflation. As large and sudden increases in petroleum prices are becoming the rule rather than the exception, any policy that reduces the magnitude or time rate of change in this responsiveness measure has a favorable impact on the general inflationary trend.

Table 2

The Inflationary Consequences of
Higher Petroleum Prices:
Historical Perspective

PCE Price Deflator:	1973-1975	1975-1979
Annual Inflation Rate (Percent per year)		
With Petroleum Price Increases	9.20	7.32
Without Petroleum Price Increases	8.10	6.26
Percentage Point Increase A	1.10	1.06
Annual Inflation Factor		
With Petroleum Price Increases	1.0920	1.0732
Without Petroleum Price Increases	1.0810	1.0626
Percent Difference (I)	1.015	0.998
Price Index for Refined Petroleum Products:		
Annual Inflation Rate (II) B	39.06	18.66
Annual Inflation Factor	1.3906	1.1866
Relative Responsiveness of PCE Price Inflation to Price Inflation in Refined Petroleum Products (Equal to I/II)	A/B 0.028	0.057
	0.026	0.053

Sources: PCE Price Index - Determined as a quantity weighted average of fourth quarter PCE price indices by major expenditure type. Quantity weights for 1978 were taken from the *1980 Economic Report of the President*. Price indices for 1973 and 1975 were taken from the July 1977 *Survey of Current Business*; those for 1979 were taken from the January 1980 *Survey of Current Business*.

Petroleum Price Index — Determined as the fourth quarter average wholesale price index for refined petroleum products as reported in selected issues of the *Survey of Current Business*.

Results of Analysis

The major results from this analysis are reported in Table 3. They are determined from the inflationary differential attributable to accelerated petroleum price increases that occur, first, under the Reference energy and economic conditions and, then, under the Conservation conditions. Five conclusions, explainable in terms of the relative responsiveness measures, emerge from these results.

First, the conservation responses already taken by consumers and producers, in response to past energy price increases, secure a reduction in inflation during the 1980's. Were the 0.053 relative responsiveness measure observed for 1975-1979 to hold for the 1980's, the inflationary impact of these same petroleum price increases would average an additional 0.18 percentage points instead of the 0.12 actually observed. Thus, conservation already in place will reduce the rate of inflation in the 1980's by about 0.1 percentage points.

Second, either with or without additional conservation, it is increasingly difficult over time to insulate the economy from the inflationary consequences of energy price increases. The relative responsiveness measures follow a long-run, upward trend in both the Reference and Conservation comparisons. This upward trend is due to the interaction of steadily increasing energy prices and the dynamic feedback mechanisms whereby inflation in one year induces further inflation in subsequent years. Thus, it is not possible, even with conservation, to eliminate the long-term implication of energy price induced inflation.

Third, in comparing the Reference and Conservation results, it is seen that conservation provides an immediate and permanent shelter to the economy from the inflationary effects of rising energy prices. Under the Conservation conditions, the relative responsiveness measure never exceeds that observed for the 1975 to 1979 period and lies permanently below that determined from the Reference projections. For the same energy

Table 3
The Inflationary Consequences of
Higher Petroleum Prices

	Projection	1980-1985	1985-1990	1990-1995	1995-2000
Percentage Point Increase in Annual Inflation Rate Due to Higher Petroleum Prices	Reference	0.127	0.121	0.092	0.129
	Conservation	0.120	0.094	0.059	0.056
Percent Difference in Annual Inflation Factor Due to Higher Petroleum Prices (I)	Reference	0.118	0.113	0.086	0.122
	Conservation	0.111	0.088	0.055	0.053
Percent Difference in Annual Inflation Factor for Refined Petroleum Products (II)		3.207	2.656	1.171	1.200
Relative Responsiveness of PCE Price Inflation to Price Inflation in Refined Petroleum Products (equal to I/II)	Reference (III)	0.037	0.043	0.073	0.102
	Conservation (IV)	0.035	0.033	0.047	0.044
Relative Effectiveness of Conservation in Reducing Inflationary Consequences of Energy Price Increases (equal to III/IV)		1.06	1.30	1.55	2.32
Reduction in relative inflationary impact of higher energy prices (III-IV)		.002	.010	.026	.058

price increases, the increment to the annual rate of inflation range is about 0.12 percentage points under the Reference conditions and as little as 0.06 percentage points with the Conservation conditions.

Fourth, the relative effectiveness of conservation in reducing the inflationary impacts of higher energy prices increases significantly over time. The influence of energy conservation substantially reduces both the magnitude and the time rate of change in the relative responsiveness measure as compared to the Reference projection. The ratio of these measures from the Reference projection to those from the Conservation case provides an index of the relative effectiveness of conservation policy. By the year 2000, the inflationary consequences of energy price increases with conservation are less than half of those without conservation. Conversely, the inflationary cost of accelerated energy price increases is more than twice as large under the Reference conditions than would be the case with successful conservation policy.

Effects Over Time

The magnitude of the inflationary effects is not large, for example, the largest annual increase in Reference case inflation due to rising energy prices is 0.2 percentage points. However, this is due entirely to the magnitudes of the energy price increases contained in these Reference case conditions: as the energy price increases are small, so are the inflationary consequences. But it may well be that future price rises occur in very large jumps, similar to the doubling of world oil prices in 1979. Increased protection against the inflationary effects of large energy price rises is provided by conservation, and this may be the greatest anti-inflationary benefit of energy conservation.

Suppose that, in absence of any petroleum price increases, the annual rate of PCE price inflation over the period 1995-2000 is 6.5 percent and that the 1995-2000 relative responsiveness measures are as observed under the Reference and Conservation conditions. Under the Reference conditions, an annual doubling of petroleum prices would add almost 11 percentage points to the rate of overall price inflation. In these circumstances, inflation would average 17.4 percent annually. However, under the conservation policy, the annual increment to inflation would be less than 5 percentage points and inflation would average 11.2 percent annually. This example demonstrates that, while the inflationary consequences of large energy price increases are significant even with conservation, the energy conservation does partially insulate the economy from these inflationary effects. In the face of large and sudden energy price rises, this inflation insulation is very significant. Further, this insulation effect increases over time so the early adoption of strong conservation measures provides very useful insurance in the form of reducing the inflationary risk associated with large future jumps in energy prices.

APPENDIX

Comparison of Inflation Estimates

This section compares the inflation estimates presented in several recent studies performed for Policy, Planning and Evaluation of DOE CS. These studies are:

(1) the present analysis using the Hudson-Jorgenson energy and economic simulation model;

(2) "Energy Conservation as an Aid to Reducing Inflation," by Edward A. Hudson, dated 13 March 1980 which used general economic analysis to estimate the effect of conservation on energy price induced inflation;

(3) "Notes on Calculation of the Effect of Conservation on Inflation" by Lawrence J. Lau, dated March 1980 which used general economic analysis.

The reduction in the average rate of inflation that is made possible by energy conservation is estimated in each of these studies as follows.

(1) For the DOE Best Estimate oil price rise of 2 percent annually, in real terms, the resulting impact on the average annual rate of inflation is reduced by conservation by 0.04 percentage points. (This is for the period 1980 to 2000 and is calculated from the information in Table 3).

(2) In the second study, conservation of 5 quads was estimated to reduce the inflationary impact of a doubling in oil prices by 0.5 percentage points. These relationships imply that conservation of the magnitude considered in the present study (23 quads in 2000) would reduce the inflationary impact of a 2 percent annual rise in oil prices by 0.05 percentage points.

(3) In the third study, by Lau, conservation (of 25 quads in 2000) was estimated to reduce the price level in 2000, resulting from a 3 percent annual rise in all energy prices, by 3.0 percent. This corresponds to conservation of 23 quads and a 2 percent annual energy price growth leading to the price level in 2000 being reduced to 1.84 percent. In turn, this corresponds to the annual rate of inflation being reduced by 0.09 percentage points. This implies that the conservation measures would reduce the impact of a 2 percent annual rise in oil prices by 0.03 to 0.04 percentage points since petroleum's share in the total value of energy purchases is projected to lie in the range of 30 to 40 percent over the period of 1980 to 2000.

The three different approaches all give inflation estimates of similar orders of magnitude. The model simulation estimates are central in the range. There is no conflict or inconsistency between the three approaches and the resulting estimates. If anything, the fact that three entirely different approaches yield comparable results adds further support to these quantitative estimates as being meaningful representations of the inflation reduction achieved by energy conservation.

ENERGY BIBLIOGRAPHY

1. Edward A. Hudson and Dale W. Jorgenson, "U.S. Energy Policy and Economic Growth, 1975-2000," *Bell Journal of Economics and Management Science*, Vol. 5, No. 2, Autumn 1974, pp. 461-514, reprinted in International Institute for Applied Systems Analysis, *Proceedings of IIASA Working Seminar on Energy Modelling*, Laxenburg, Austria, IIASA, 1974, pp. 174-278, and in C.J. Cicchetti and W.K. Foell, eds., *Energy Systems Forecasting, Planning and Pricing*, Madison, Institute for Environmental Studies, University of Wisconsin, 1975, pp. 127-159.

2. Edward A. Hudson and Dale W. Jorgenson, "Economic Analysis of Alternative Energy Growth Patterns," in David Freeman, et. al., *A Time to Choose*, Cambridge, Ballinger, 1974, pp. 493-511.

3. Edward A. Hudson and Dale W. Jorgenson, "Tax Policy and Energy Use," in Committee on Finance, United States Senate, *Fiscal Policy and the Energy Crisis*, Washington, Ninety-Third Congress, First and Second Sessions, 1974, pp. 1681-1694.

4. Edward A. Hudson and Dale W. Jorgenson, "Projections of U.S. Economic Growth and Energy Demand," in Robert W. Greenleaf (ed.), *Structural Change and Current Problems Facing Regulated Public Utilities*, Indianapolis, Graduate School of Business, Indiana University, 1975, pp. 75-128.

5. Ben Bernanke and Dale W. Jorgenson, "The Integration of Energy Policy Models," *Computers and Operations Research*, Vol. 2, No. 3, September 1975, pp. 225-249.

6. Brian D. Wright, "Statement," in Committee on Ways and Means, U.S. House of Representatives, *The Energy Crisis and Proposed Solutions*, Washington, Ninety-Fourth Congress, First Session, 1975, pp. 67-127.

7. David J. Behling, Jr., Robert Dullien, and Edward Hudson, "The Relationship of Energy Growth to Economic Growth under Alternative Energy Policies," *BNL 50500*, March 1976.

8. David J. Behling, Jr. and Robert Dullien, "A Combined Linear Programming and Econometric Systems Analysis of the Relation Between Energy, Growth and the Economy," *BNL 21281*, April 1976.

9. Edward A. Hudson and Dale W. Jorgenson, "U.S. Tax Policy and Energy Conservation," in D.W. Jorgenson, (ed.), *Econometric Studies of U.S. Energy Policy*, Amsterdam, North-Holland, 1976, pp. 7-94.

10. Kenneth C. Hoffman and Dale W. Jorgenson, "Economic and Technological Models for Evaluation of Energy Policy," *Bell Journal of Economics*, Vol. 8, No. 2, Autumn 1977, pp. 444-66.

11. Dale W. Jorgenson, "Consumer Demand for Energy," in W.D. Nordhaus, ed., *International Studies of the Demand for Energy*, Amsterdam, North-Holland, 1977, pp. 309-328.

12. Edward A. Hudson and Dale W. Jorgenson, "Energy Policy and U.S. Economic Growth," *American Economic Review*, Vol. 68, No. 2, May 1978, pp. 118-123.

13. M.L. Baughman, Edward G. Cazalet, Edward A. Hudson, Dale W. Jorgenson, David T. Kresge, Edwin Kuh, D. Warner North, *Initiation of Integration*, Final Report EA-837, Research Project 954, Palo Alto, Electric Power Research Institute, July 1978.

14. Dale W. Jorgenson, "The Role of Energy in the U.S. Economy," *National Tax Journal*, Vol. 31, No. 3, September 1978, pp. 209-220.

15. Edward A. Hudson and Dale W. Jorgenson, "Energy Prices and U.S. Economy, 1972-1976," *Natural Resources Journal*, Vol. 18, No. 4, October 1978, pp. 877-897; reprinted in W.J. Mead and A.E. Utton (eds.), *U.S. Energy Policy*, Cambridge, Ballinger, 1979, pp. 175-195.

16. Ernst R. Berndt and Dale W. Jorgenson, "How Energy and Its Cost Enter the 'Productivity Equation'," *Spectrum*, Vol. 15, No. 10, October 1978, pp. 50-52.

17. Edward A. Hudson and Dale W. Jorgenson, "The Economic Impact of Policies to Reduce U.S. Energy Growth," *Resources and Energy*, Vol. 1, No. 3, November 1978, pp. 205-230; reprinted in B. Kursunoglu and A. Perlmutter (eds.), *Directions in Energy Policy*, Cambridge, Ballinger, 1979, pp. 141-164.

18. Edward A. Hudson and David J. Behling, Jr., "Energy Conservation Policies: Possibilities, Mechanisms and Impacts," *BNL 50956*, December 1978.

19. Edward A. Hudson, Dale W. Jorgenson, and David C. O'Connor, "The Impact of Restrictions on Electric Generating Capacity," in J. Moroney (ed.), *Advances in the Economics of Energy and Resources*, Vol. 3, Greenwich, JAI Press, forthcoming.

Note: Requests for reprints of articles should be addressed to Professor Jorgenson, Harvard University, Littauer Center 122, Cambridge, Massachusetts 02138. Telephone: (617) 495-4661.

STATEMENT BY JERRY M. BRADY
BEFORE THE SUBCOMMITTEE ON
INTERIOR AND RELATED AGENCIES
COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES
April 8, 1981

Mr. Chairman, on behalf of the Energy Conversion Group, a group of companies that specialize in energy efficiency research and development for industry and consumers, I am honored to join this outstanding panel of witnesses. Collectively these men have demonstrated how we can achieve energy self-sufficiency in this century several times over. If this were a revival, you would have assembled enough good preachers to save everyone within earshot by nightfall.

However, it is important to recognize that if this were a church, most of us would already be of the same faith. As preachers exhorting a recalcitrant nation with statistics and bright plans, we should acknowledge that we compete with an establishment church which has the advantage of being in the pulpit. I refer to the economic religion whose theology is: The Market Saves. In response to the exhortation to good works emanating from Oak Ridge and Princeton, MIT and Berkeley, this theology offers the promise of faith: faith that price alone will discipline wasteful appetites; faith that by renouncing government subsidy, regulation, and higher taxes we will be saved by the creative force of enterprise.

I say this not to heighten conflict but to expose what is the central issue in this hearing: is there any basis other than faith to believe that private industry will pick up the research burden now carried by government? More to the point, can we be confident that private industry in the United States will be able to develop the technologies necessary to achieve high efficiency at home, retain domestic markets and capture a reasonable portion of the world's markets? My testimony will be devoted to these questions alone. I will try to suggest that what we need is an ecumenical solution, requiring faith and good works by both government and private enterprise.

The Future Belongs to Technology

In my previous testimony before this committee I focused on international competition and I would like to begin at that point today. Certainly, we do not want American manufacturers of energy efficient equipment for industry and consumers to go the way of the television and automobile industries' losses to Japan. I would like to begin with a consideration of that experience, however, and draw a recent evaluation of Japanese industry as it affects world trade.

Dr. Jack Baranson, a leading authority on industrial development, has just completed an unpublished study of how Japan has achieved world leadership and why it is capable of capturing additional markets. The reason for Japan's success is not, he says, simply the marshalling of capital, the superior organization, and the use of export trading companies with which we are familiar. Rather, he concludes that the Japanese comparative advantage is directly related to technological development. It is the Japanese ability to "manage technological change in a dynamic world economy" which is its decisive competitive advantage, Baranson says.

Many factors contribute to this ability to manage technological change: a highly literate population, automation, four or five times more design engineers in the work force, emphasis on quality control, and higher capital spending. But of greatest importance to us here is Baranson's central point: Japanese industry is financed and managed to emphasize long-range planning and long-range risk-taking in advanced technology areas. Japan does this through increased capital spending and larger expenditures on research and development. Japan also does this through effective government support of industrial efforts.

Commenting on Baranson's insight, Harald Malmgren, one of the country's leading experts on world trade, has written, "As we look forward, we should bear in mind Japan's lesson that competitiveness is a dynamic process, based on mastering technology rather than being overtaken by it."

What does all of this have to do with the question before your committee, Mr. Chairman, namely, how much money should the government spend on research and development for energy efficiency? For the benefit of believers of all persuasions, I want to acknowledge that government spending for research is not the key to Japan's success. We are not suggesting we must match the Japanese yen for yen. Instead, it may well be that the United States government must spend more on research than the Japanese, not less, precisely because of the system we have. Japan may have to spend less on research because it has a few large companies where we have many; because it forces or expects its companies to share technological research, whereas we forbid sharing because it violates anti-trust laws; and because our companies are financed primarily by share-holders who look to quarterly earning statements while theirs are financed by long-term debt on terms that allow ten-year paybacks.

Japan is built to capture world markets in the 1980s in a way that we are not. For the sake of jobs 5 or 10 years from now, the United States government should therefore be pushing toward greater private and public investment in technology and building cooperative private-public strategies to protect existing markets and capture new ones. Instead, we are doing the opposite, trusting that industry alone will do the job.

Research by Industry

When speaking about research and technology development in Japan, I am referring primarily to activities which will result in large-scale production of technologies that have a world market: turbines, advanced automobiles and truck engines, and commercial and residential products such as heat pumps, water heaters and furnaces. Our concern is that Japan and other countries in Europe will surpass the United States in many of these technologies because U.S. industry cannot engage in long-range, high-risk, high-gain technology development. That is why we are so concerned about the decimated budgets for Technology and Consumer Products in the Building and Community Systems Program and the Vehicle Propulsion R, D and D Program in Transportation.

We are also concerned about the Industrial Conservation Program budget for slightly different reasons. I would like next to consider the research expenditures of major U.S. industries not only with regard to international competition but simply to make them more productive, whether they compete abroad or not.

For years U.S. research was the envy of the world and grew constantly. It still is in some cases. However, statistics reveal that today those industries which use the most energy, spend the least on research to pull them out of the hole. For the years 1975 to 1979, textiles, steel, paper, and metals and mining all held their research expenditures at a constant -- and low -- level (See Exhibit 1) even though they were in most cases, suffering competitively. Some of them are caught in a Catch-22, unable to get the capital to save themselves. Here is a list of R and D expenditures as a percentage of sales for these industries compared to others:

Industry Sector	R&D Expenditures As A Percent of Sales*
- All Industry Composite	1.9
- General Machinery	1.7
- Metals and Mining	0.9
- Oil and Coal	0.4
- Paper	0.8
- Steel	0.6
- Textiles	0.5

* Average of 1975-1979.

To put those percentages into dollar figures, here are teh 1979 Research and Development expenditures for these same industries:

Industrial Sector	1979 Company R&D Expenditures $ Millions
- All Industry Composite	23,836
- General Machinery	427
- Metals and Mining	184
- Oil and Coal	1,131
- Paper	167
- Steel	146
- Textiles	45

These figures still do not tell us what we want to know, however, because they are for all research in energy efficiency. No statistics are available to show what percentage of this total research budget is related to energy. We have tried to sample enough companies to get an idea of what the correct figure is and we conclude that probably five percent, and no more than ten percent, is devoted exclusively to energy, although energy saving undoubtably are a significant consideration in research on process changes. The most generous and optmistic assumption we can make is that 15 percent of research is devoted to saving energy. This means that in textiles, steel and paper, the energy research budgets would total about $55 million, a very small number.

If energy is so important in energy-intensive industries, why are budgets so low? One reason revealed by our survey is that research budgets are not always research budgets. We believe that from one-third to 45 percent of research may in fact be technical assistance to solve on-line technical problems of operating divisions. Of the remaining research, half or more is devoted to product development and process change.

The Environment for Research Investments

What we have seen so far is that research budgets are smaller than they appear; that they are smallest in those industries which are energy intensive and thus need it most; and that only a small percentage of those budgets are devoted to energy. That being the case, how likely is it that industry will pick up a long-range, high-risk, high-gain research project which the government might otherwise fund? To answer that question we need to know more about the environment in which a decision to invest in research is made.

To answer this question, we turn to Mr. Fred Frank, Managing Director of Lehman Brothers Kuhn Loeb. In a speech which I ask be included for the record, Mr. Frank reminds us that the after tax cost of equity has tripled since 1960, partly because the investing public wants a higher risk premium for investments in shaky times. This is one reason that only very short-term investments with paybacks of two or three years are economically feasible. He cites many reasons for this conclusion but I will focus on just three.

One reason is that risky research investment will impair a company's senior debt rating. Just the investment, let alone the failure of an experiment, could constrict a company's available capital so as to raise the cost of borrowing the next dollar.

A second critical factor is that a substantial investment in long-term research will affect a company's price-earnings ratio, which Frank says is a company's "most fragile and high-powered resource." Because this ratio is so sensitive, pulling money out of production for research could push a company's cost of acquiring even higher, increase the cost of pension programs, and affect the value of a company's stock in the market.

A third factor concerns whether a project can finance itself after a reasonable interval by the use of internal capital, or whether the company must go into long-term debt just for that project. Frank concludes that "very few companies presently have the absorptive capacity" to make investments of this kind. Most important, he finds that the industries which have the most need for research -- either because they must reduce energy consumption to survive or in order to compete internationally -- are the very industries which would stumble over the tests discussed above. Glamour areas, like genetic research, or capital-rich industries like oil and gas can afford more research. They also get the most money from the government.

Research in the U.S. Corporate Strategy

What we are seeing is the effects of the essentially short-term outlook of American business driven by financing through the stock market. Japan, by comparison, finances principally through bank debt on terms unthinkable in this country but highly conducive to advanced technology development which is the key to world trade. Our reward system, for managers and shareholders alike, emphasizes the short run while the Japanese do everything in the long run. This short-sightedness leads to greater waste of energy than necessary and, eventually, to a loss of competitiveness on a world scale.

Research, Demonstration, and Market Development by Our Competitors

We have spoken exclusively so far about Japan, but in fact our greatest competition may come from Europe. Japan's research budget doubled between 1979 and 1980. But so did that of France. The French government now spends about $450 million each year for energy savings technology: about $300 million for loans, and $150 million for direct subsidies. This is matched by $250 million in private funding. Forty-five industrial efficiency demonstration projects were initiated in the last two years.

Germany has been providing research and development grants and subsidies since 1974 in such things as thermal insulation, recovery and use of waste heat, heat pumps and district heating. From 1977 to 1980, Germany spent $222 million for these activities and in 1978 spent an additional $56 million for research development and innovation in energy saving technologies. Great Britain has earmarked one billion dollars for energy conservation in just four years and just recently targeted $58 million for energy grants and demonstration projects for industry.

The New Economic Environment

The picture we have sketched accurately reflects the world as it is today. We conclude that already the United States undertakes too little research and development in its energy intensive industries and spends too little to develop the long-range, high-risk technology of the future in energy efficient equipment.

Will the new economic environment change this conclusion to any degree? Is there any reason to assume that a lower corporate tax rate, or a new "ten-five-three" rapid depreciation schedule will cause more investment in high-risk research and industrial demonstration programs? To be sure, research is included in accelerated depreciation treatment, but that does no more than keep research even in its competition with production for discretionary dollars. Has the environment changed concerning the importance of senior debt rating, or the price earnings ratio? Has anything changed to allow or encourage corporate managers to emphasize long-range risk management? Have we changed anti-trust laws to emphasize the sharing of technology, thus lowering cost? Of course the answer to all those questions is "NO."

In the end we may be left with no more than a leap of faith that corporations will do what is in their long-range good. There is little rational basis for believing that private industry will pick up the federal investment in research and development in energy efficient technology or that it will increase its investment in long-range research in energy.

Closing Hymn

One conclusion from this statement, Mr. Chairman, is that this committee should restore the budgets for Industrial Energy Conservation, Technology and Consumer Products and Vehicle Propulsion. We urge you to do so.

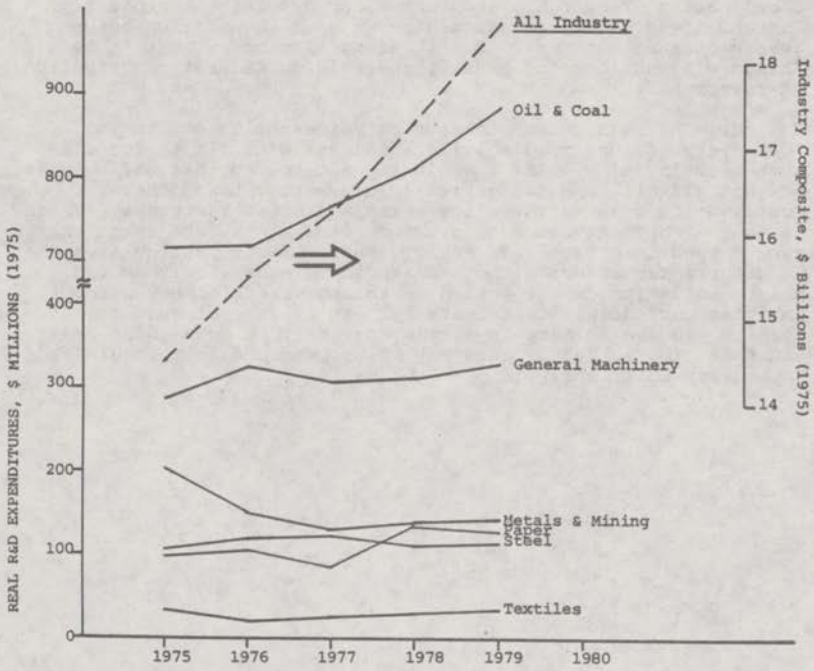
But given the sweep of our argument it would be inappropriate simply to conclude with a request for money because, in truth, money is not the only answer, even when speaking to an Appropriations Committee. We need more than these three isolated budgets. We need a coordinated generic research program.

Instead of simply more dollars from government, we need better coordination, leadership and technology promotion by industry. Instead of adversary relationships we need cooperation between government and business. But it seems elementary that these things will not come to pass if there is no federal contribution to research.

Mr. Chairman, when a chorus of voices calls out to you, "Cut everybody but me," solving conflicts with simple formulae must seem inviting. But I would suggest to you that all budgets are not alike. Some things really are better than others. Conservation does conserve the earth's limited resources. There is only a certain volume of precious minerals in the earth that can be used to produce new energy, only so many particulates the atmosphere can absorb without death and disease, only so many points inflation can be pushed up through inefficiency without injuring our society fundamentally. It is more blessed to save than to produce. There is a time for every purpose under heaven and this time is better than any which preceded it to begin to use energy efficiently.

EXHIBIT 1

REAL GROWTH IN R&D EXPENDITURES



Fact Sheet on State Energy Programs

Since the Oil Embargo of 1973, states have become increasingly involved in creating and undertaking programs to help deal with our nation's oil dependency. The states and localities have also become the primary delivery system for national energy conservation and emergency programs. Despite the effectiveness and pressing need for these programs, all but one of the state energy grant programs are being proposed for elimination in FY 82. Following are reasons why these programs should be maintained during this period of severe economic problems and a suggested approach to consolidating the programs, thereby eliminating some unnecessary administrative costs.

- o These programs are inflation-restraining. There will be a significant benefit to the economy if these programs are retained.

- o These programs are cost-effective. The collective energy cost avoidances for 1976-80 amounted to $22 billion with a benefit-to-cost ratio of 30 to 1.

- o These programs will ensure that the nation will be better prepared to cope with the dramatic impact of a major oil supply disruption.

- o These programs address the needs of the low-income individuals who will feel more intehsely the burden of rapidly rising energy costs.

- o These programs will directly offset the continuing need for direct fuel assistance payments to the poor.

- o These programs are helping to reduce our nation's overall rate of energy consumption without sacrificing quality of life while sending signals to our allies of our commitment to reducing our oil dependency.

- o These programs will help cushion the impact of decontrolled oil prices on the average American homeowner and businessman. If there is one concern equal to the concern with inflation to the American citizen, it is the rising price of fuel.

The Programs

- o State Energy Conservation Program (SECP) ($47.8 million appropriated in FY 81)

SECP has established the states as the primary delivery mechanism for energy conservation programs and has provided the basic stimulus for the development of state energy policy and programs. SECP requires states to undertake certain mandatory conservation measures while developing additional conservation measures appropriate for the state. In addition, SECP has been drawn on to carry out additional national programs such as residential conservation programs and energy emergency activities.

Conservation estimates of four major SECP measures indicate that for every dollar of federal funds spent, $5.40 worth of energy was saved with a cost-benefit ratio of 1 to 5 for 1979.

o Energy Extension Service (EES) ($20 million appropriated in FY 81)

EES provides small-scale energy users with personalized information and technical assistance on energy conservation and the use of renewable resources. Services such as energy audits and self-help workshops are tailored to the needs of homeowners, small businesses, local governments, and other public institutions. The program began as a pilot project with 10 states and, based on favorable results, was expanded nationwide. EES clients in the ten pilot states saved the equivalent of 6,400 barrels of oil per day beyond what would have been saved without the program. The cost of achieving these additional energy savings averaged $8.50 per barrel of oil equivalent. Compared to the cost of buying a barrel of imported oil ($30 - $35), the EES is clearly cost-effective. For 1980 it is estimated that 6.9 million barrels of oil equivalent was saved beyond what would have been saved without the program.

o Institutional Buildings Grant Program ($181 million appropriated in FY 81)

This program administered by the states provides support in the form of matching grants to financially strapped institutions that would not otherwise have the front-end finances to pay for cost-effective efficiency measures. In FY 80 eligible institutions submitted nearly 21,000 applications for technical assistance and energy conservation measure grants. DOE made nearly 8,300 grant awards to individual institutions, totaling over $220 million and supporting approximately 21,000 institutional buildings.

o Low-Income Weatherization ($182 million appropriated in FY 81)

The Weatherization Assistance Program is targetted toward weatherizing housing of low-income families to help them cope with rising energy costs. The need for a strong, effective, low-income weatherization program will be especially pressing given the decontrol of energy prices. Although there were significant problems in the earlier years, especially in the use of CETA labor, substantial changes have been made and the program over the past year is proving itself quite effective.

The program has weatherized 265,182 homes in FY 1980 with expenditures of $182,082,673. This compares to FY 1979 figures of 118,200 homes weatherized and expenditures of $39,937,746. Production increased by 224% over FY 1979. The savings per dwelling are permanent savings. The equivalent of over 2 million barrels of oil will be conserved each year in the 860,000 homes weatherized so far through the DOE program, avoiding costs of $64.5 million.

o Emergency Energy Conservation Program ($10 million appropriated in FY 81)

The Emergency Energy Conservation Act of 1979 is the major legislative authority enabling the nation to deal with energy shortages and relies heavily on states to provide the first line of defense in a supply disruption. State actions are needed to help cope with the dramatic economic impact of any future energy shortages.

Recommended Approach

Recognizing the need for reducing the overall budget, states are willing to take cuts in the programs but not total elimination.

FY 82 Appropriations

Some funding cuts could be made from the combined FY 81 appropriations level of $77.8 for SECP, EES, and EECA as we move toward a more flexible block grant approach.

Separate funding for low-income weatherization should be restored to $200 million -- the original proposed level for FY 81. The program will essentially be lost if it is included in the Community Development Block Grant Program without separate additional funding. In addition, under the low-income assistance program, Governors should be allowed to use some of these funds to supplement weatherization efforts, offsetting the need for future direct fuel payments.

Energy Block Grant

The state and local governments have supported an energy block grant which would combine the programs described above. The block grant would allow the state to target funds to the most needed and cost-effective programs for the individual state. Conservation, renewable and conventional resource development and emergency programs could all be carried out under the grant. In addition, coordinated audit and weatherization activities would be targetted to low-income groups. The block grant could be funded at approximately $300 million, representing a 33% reduction from the combined FY 81 appropriation level, and would include a 20% match requirement.

Testimony Before the

Interior Appropriations Subcommittee

of the

Appropriations Committee

of the

United States House of Representatives

April 8, 1981

David L. Greene

Transportation Energy Group

Energy Division

OAK RIDGE NATIONAL LABORATORY*
Oak Ridge, Tennessee 37830
operated by
UNION CARBIDE CORPORATION
for the
DEPARTMENT OF ENERGY

*The following testimony represents the views of the author which do not necessarily reflect those of Oak Ridge National Laboratory, Union Carbide Corporation, or the Department of Energy.

Good Afternoon, I am David Greene, Group Leader of the Transportation Energy Group at Oak Ridge National Laboratory. For over four years our group has been conducting research and analyses of energy issues related to the transportation sector. These have included energy demand forecasting, energy intensiveness analysis, work in support of the Emergency Energy Conservation Act of 1979, annual publication of the Transportation Energy Conservation Data Book, even transportation of energy materials, including radioactive wastes. We are not at present directly involved in research and development of transportation technology. I will not be making any remarks this afternoon on the desirability or likelihood of success of any particular transportation technology. Instead I will present more general observations based on our research concerning where government action, whether research, information dissemination, or emergency planning, is needed to solve our energy problems.

I am happy to have the opportunity to share with you some of what we have learned about energy use in the transportation sector and the present and potential role of DOE Transportation Programs in increasing the efficiency of petroleum use in those sectors. There are four major points I want to convey in my brief statement. First, that the transportation sector is key to our petroleum imports problem. Second, that a look ahead towards 2000 indicates long range technology research and development is needed and that the federal government is probably the only agent in society with a long enough social time horizon to worry about that future. Third, that right now government actions can help to improve the efficiency with which the market operates and thereby conserve significant amounts of petroleum. Fourth, and finally,

that what are sometimes referred to as "soft" DOE conservation programs, for example, ridesharing and driver education for conservation, have a potentially very significant role to play not only in improving fuel efficiency in everyday driving but also in helping the nation minimize the loss of mobility during supply emergencies.

Petroleum use in Transportation

As a whole, the transportation sector accounts for one quarter of total energy use in the United States. But because it relies on petroleum as a source for over 95% of that energy, transportation accounts for 50–55% of total petroleum consumption. Whereas other sectors have considerable potential for substitution among energy sources, transportation is all but entirely dependent upon petroleum. These statistics have not changed in any significant respect for at least two decades. Thus the transport sector, without which everything would literally come to a halt, is the critical petroleum using sector.

The Need for Long Run Transportation Technology Research and Development

A recent study conducted by Oak Ridge in collaboration with Argonne National Laboratory examined possible future trends in transportation energy use and the potential impacts of DOE conservation programs on those trends. I am sure you can appreciate the uncertainties involved in assessing the effects of as yet only partially developed technologies in an uncertain future. Our study, however, produced some interesting conclusions which turn out to be insensitive to the detailed assumptions we had to make.

Our baseline forecast to the year 2000 excluded DOE conservation programs and was based on growth rates of just under 3% for real GNP

and disposable income, less than 1% for population, and 2% for real prices of petroleum transport fuels from 1980 to 2000. With these growth assumptions, even assuming substantial fuel economy improvements for each mode (e.g. 25% for heavy trucks by 1990, compliance with the 1985 CAFE standards, introduction of NASA aircraft technology, etc.), our forecasts indicated substantial increases in transportation energy use from 19.5 quads in 1980 to almost 23 quads in 1990 and over 27 in 2000. Because of automobile fuel economy improvements through 1985 in line with the CAFE standards automobile energy use was held in check. Most other modes, however, tended to increase roughly proportionately with income and GNP growth despite substantial fuel efficiency gains. Heavy truck, air, rail, marine and pipeline energy use increases accounted for virtually all the increase in transportation energy use. Thus despite our assumption that most presently known and economically feasible energy conservation technologies would be adopted before 2000, petroleum use in transportation increased substantially.

The estimated impact of DOE transportation energy conservation programs was to accentuate the trend away from an automobile dominated pattern of energy use. The approach Oak Ridge and Argonne took in estimating DOE transportation program energy savings was to assume that program goals, if we judged them to be at least plausible, would be met. That is, if the program goal was to develop a heat engine 30 percent more efficient than Internal Combustion Engine powerplants available in the future, we assumed that this would happen. Under the budget proposed by the previous administration we estimated petroleum savings of 4.5 quads in the year 2000 (of this 1.6 quads were synfuels — alcohol or coal and shale oil derived — for a conservation petroleum

savings of approximately 2.8 quads). The estimated reduction in petroleum use was far from equally distributed across modes. The estimated 4.5 quads of savings breaks down as follows: three quarters is gasoline for automobiles and light trucks and about 90% is gasoline or diesel fuel for highway use. While automobiles account for almost 50 percent of transportation energy use in 1980, they account for only one-third in 2000 in the baseline scenario and less than 30 percent after DOE program impacts. After taking into account the effects of DOE conservation programs, trucks, both heavy and light, comprise over 35 percent of total transportation energy use. This is despite a 25% general improvement in heavy truck fleet fuel economy. All other modes also increase their share of total energy use as automobile energy use actually declines.

The explanation for this trend which emerged from our forecasting models and policy impact analysis is actually quite simple. First, automobiles have a lot more to conserve about. In comparison to other modes they are generally operated with more unused carrying capacity and consume more energy in delivering amenities to the consumer which are not directly necessary for the act of getting from point A to point B. Second, automobiles are now ubiquitous. As incomes increase proportionately less will be spent on more automobile travel and more on increased travel by air. As energy prices increase and personal incomes and GNP grow, the greatest efficiency improvements will be made where the greatest improvements can most easily be made, in the automobile. Air travel increases with increasing income despite moderately increasing fuel costs and freight transport increases roughly in proportion to GNP.

What this transportation energy future means, I believe, is that if the petroleum use of transportation is to be greatly reduced without greatly reducing the mobility of persons and goods in our society, new technologies are needed. These new technologies must: 1) increase the conversion efficiencies of petroleum based fuels, and 2) be capable of using non-petroleum based fuels in an efficient, safe, and environmentally acceptable manner. Technologies with applications in marine, rail, and particularly heavy truck transport are especially needed.

The role of the Federal Government in supporting long range technology research and development is well known. I will not belabor that point. However, it is important to recognize that the kinds of technological developments which are needed in transportation, whether they be achieved by advanced batteries, stirling, turbine, adiabatic diesel, or some other energy conversion and storage technologies, are not likely to be ready for the market for 10–20 years. Furthermore, much of their overall benefit to society in terms of improved environmental quality and greater national security will be external to the market. These are hardly characteristics which will attract private investments, especially in the present economic climate.

Improving Market Efficiency

In other areas our research has shown that government actions can, and are now conserving significant amounts of petroleum merely by helping our market system to operate more efficiently. This is done by providing consumers with consistent and credible information upon which to base their energy-related market choices. Conclusive proof of the exact amount of energy saved by such information programs is

obviously difficult to come by so let me offer some strong circumstantial evidence. Our analyses of detailed monthly automobile sales data shows that at least 20 percent of the improvement in the overall fuel efficiency of new cars is due to the selection by consumers of more efficient models within the same size class. This was true for 1980 versus 1979 and first quarter 1981 versus first quarter 1980 model year cars. The introduction of new, more efficient models, and improvements in the new model year efficiencies of existing models were controlled for in our analysis. If anything, we are convinced that our analysis understates the savings. In order for consumers to make these intelligent choices, it was necessary for them to know which cars were more efficient and by how much. The fuel economy labeling program, which includes DOE's publication of the Gas Mileage Guide provides the kind of information which is necessary.

There are other areas in which information alone could save significant amounts of fuel. Tests have verified that so-called "fuel saver" engine oils are capable of improving vehicle fuel efficiencies from 1 to 7% over normal, high quality, multigrade oils. Presently these oils comprise a small fraction of the engine oil market. While fuel saver oils now sell at about $0.25–0.50 per quart above the cost of other multigrade oils, the extra cost of a five quart oil change would be recouped in 1 to 2 months by the typical owner of a 15 mpg vehicle and in 2 to 3 months by the owner of a 25 mpg vehicle (assuming only a 2% fuel economy improvement and a vehicle usage rate of 192 miles/week). Under these circumstances it is difficult to understand why any rational consumer would pass up such a bargain. Yet a four phase 1979–80 consumer survey by J. D. Power and Associates indicated

that only 7% of respondents used special or synthetic oils to improve the fuel efficiency of their vehicles. I suggest that most consumers are not aware of or do not believe the fuel economy claims of fuel saver oils and have certainly not done the calculations necessary to see if the extra cost is worth it. If an additional 75 percent of all autos and light trucks used fuel saver oils, on the order of 1.5 billion gallons of gasoline could be saved annually (based again on 2% savings; in fact, the actual amount could be 2–3 times that).

There are other areas in which credible, consistent information could save energy and leave everyone better off. Proper choice of tires and lubricants can save energy as can foregoing the use of certain optional equipment. Driving behavior is also a critical determinant fuel economy though exactly how is still poorly understood. Consumers need believable information in order to determine for themselves what energy conserving actions they want to take and what tradeoffs are in their best interest. Who will provide this information if not the federal government? A well conceived program of research into how the fuel efficiency of existing vehicles can be improved through individual actions in the way of maintenance or driver behavior has the potential to pay handsome returns for a minimal investment.

Near Term Conservation Programs and Petroleum Supply Emergencies

It is clear that the government has an important role to play in minimizing the impacts of possible future petroleum supply emergencies and insuring the effective and equitable distribution of available supplies. Contingency measures such as the strategic petroleum reserve, fuel rationing, or other contingency planning measures come

to mind immediately. What is less often recognized is that ongoing conservation information and outreach programs such as ridehsharing or driver awareness programs constitute important resources for coping with supply shortages. Individuals who may be only marginally interested in such conservation measures under normal market conditions suddenly become very interested when shortages occur. If the short run price elasticity of gasoline demand is —0.2, then a 10% shortage with unregulated prices would trigger a 70% price increase. In a 20% shortage, a tripling of gasoline prices would result. Having the information resources and infrastructure available to individuals when a shortage occurs can greatly enhance their ability to respond to a shortage with the least loss of mobility. In effect, I am suggesting that knowledge and intelligent response can be used to increase the short run price elasticity of gasoline demand.

Once again let me offer some strong but circumstantial evidence to support this contention. Survey evidence indicates that during the Arab OPEC oil embargo of 1973—74 only 2—3 percent of workers who formerly commuted alone began ridesharing. After five years of Government promotion of ridesharing as an energy conservation measure consumer response to the 1979 shortages and price increase was different. A 1979 survey by J. D. Power and Associates indicates that 7% percent of drive alone commuters took up ridesharing to conserve gasoline. A March 1980 Gallup survey indicated that a total of 12 percent of drive alone commuters converted to ridesharing. On an annual basis this would correspond to a savings of 0.5—1.0 billion gallons of gasoline about 2/3 to 3/4 of which was probably stimulated by Government efforts to promote ridesharing.

The DOE driver awareness and training programs also have tremendous, though largely unrecognized potential as emergency conservation programs. Though statistically sound, scientific proof of savings has yet to be generated, there is good reason to believe that substantial savings are possible through modified driving strategies. Fuel economy gains on the order of 10 percent or more seem likely. Even if fuel efficient strategies were often too tedious for average drivers to observe in their everyday driving, the potential of this program as an emergency conservation measure should easily justify the small investment in research and information dissemination it would require.

The Need for Evaluation

Finally, it seems clear to me that the Department of Energy needs to maintain the research and analytical capabilities to understand energy use and energy efficiency in the U.S. transportation sector to be able to determine where Government action to achieve energy conservation is warranted. Just as there is a need to assess the potential for Government action there is a need to evaluate the effectiveness and necessity of Government programs in progress. There has in the past been a general lack of such critical evaluation. Perhaps this is because in the past conservation programs have been given the benefit of the doubt. The current presumption seems to be just the reverse and so programs are to be eliminated without critical evaluation. Clearly neither approach is the prudent one. Government conservation programs have been and can be of significant value in solving our energy problems. The likelihood that appropriate actions will be

76-703 0 - 81 - 37 (6b)

taken would be greatly increased by making impartial, formal program evaluations a part of the process.

Conclusion

A petroleum conservation policy which consists of higher prices alone is only part of a conservation policy. Higher prices are a necessary but not sufficient part of a national energy policy. When reduction in petroleum imports is a national goal, then the Government has a role to play in fostering research and development of new technology and enhancing the efficiency of the market system by developing and disseminating the information consumers need to make intelligent choices. When petroleum conservation is achieved by merely doing with less, then conservation means suffering. But when it is accomplished through technological innovation and more intelligent decision-making, then conservation is progress.

References

Automotive News, "Gas prices changing driving habits," Crain Automotive Group, Inc., Detroit, June 9, 1980, p. 16.

Holcomb, M. C., et al., "Motor Vehicle Quarterly MPG and Market Share Newsletter," Transportation Energy Group, Oak Ridge National Laboratory, Oak Ridge, Tenn., February, 1981.

J. D. Power and Assoc., Inc., 1980. "Automotive Consumer Profile," Vol. IV, Los Angeles, Calif., December, 1980.

J. D. Power and Assoc., Inc., "Influence of Fuel Economy Information Program on New Vehicle Fuel Economy '78–'79," report submitted to U.S. Dept. of Energy, 1980.

Kulp, G., et al., Transportation Energy Conservation Data Book: Edition 4, ORNL-5654, Oak Ridge National Laboratory, Oak Ridge, Tenn., September, 1980.

Parikh, S., "Energy Saving Impacts of DOE's Conservation and Solar Programs," ORNL/TM-7690, Oak Ridge National Laboratory, Oak Ridge, Tenn., 1981.

Special Hearing on Energy Conservation

before

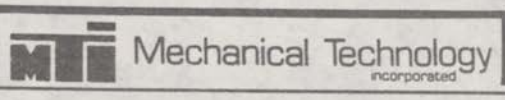
The Interior Appropriations Subcommittee

House of Representatives

April 8, 1981

Prepared by:

Dr. Beno Sternlicht
Board Chairman and Technical Director
Mechanical Technology Incorporated



about the author

Board Chairman and Technical Director, M.T.I., PhD., M.S., Columbia University. Honorary Doctor of Science, and B.S.E.E., Union College. 27 years of industrial experience in various capacities of engineering and management. The first 11 years spent with the G.E. Company in the capacity of Specialist, Technical Director, and Consulting Engineer. For the past 16 years, has been that of Technical Director, Co-founder, and Chairman of the Board of M.T.I. 1966-70 served as President and 1970-73 as Board Chairman of V.I.T.A. (Volunteers in Technical Assistance). Author of numerous technical papers and books. Fellow of A.S.M.E. and recipient of its Machine Design Award 1966. Holder of 11 patents. Listed in Engineers of Distinction, Leading Men in the United States of America, American Men of Science and Who's Who in Finance and Industry.

Mr. Chairman and members of this subcommittee:

Your commitment and concern with respect to energy conservation is evidenced by holding this special hearing, and I am very pleased to be here to testify. In the few minutes allotted to me, I would like to appeal to your sense of logic and give you some food for thought before you make your budget decisions.

I will try to give you some insight into the effects of the proposed FY 1981 rescissions and the FY 1982 budget reductions on some of the conservation technology programs and, in turn, on some of the U.S.-manufactured consumer products. My comments will be from the vantage point of a technology oriented company, which I represent. My remarks, however, are shared by many other companies engaged in a number of DOE conservation programs.

Most of us recognize that the present mood of the country is to reduce Federal spending. I endorse this noble objective. It is important, however, that this reduction in spending is analyzed carefully and, if appropriate, should be adopted only after the President has submitted the National Energy Plan III to Congress and Congress has reviewed it. The proposed budget cuts by OMB were done hastily and do not reflect an understanding of the value of many of the DOE programs. This is especially true in the case of energy conservation technology where the budget slashes will negatively affect the future of a large segment of our American industry. Thus, while these slashes may appear as a short-term solution, on a longer term basis, they will negatively affect our balance of trade and will result in even higher unemployment.

While the budget cuts are going through the legislative process, we hear such comments as: "We must revitalize our American industry"; "Let the market forces govern"; and "Industry will do it alone." The questions are, "How?" and "Who?"

It <u>is</u> true that we must revitalize our innovative process which has fallen far behind most of the developed nations, and that industry <u>can</u> do it alone. However, United States industry <u>will not</u> do it alone for some very good business reasons which will be discussed later. In fact, I firmly

believe that the foreign industry will largely benefit from the proposed cuts in energy R&D and, in particular, from the very large conservation technology slashes. Let me try to illustrate this point.

While we have a great variety of U.S. industries, they can be divided into six broad categories (Table I). The last two industries listed in Table I, the automotive and housing industries, which, in large measure, govern the health of our economy, are sick. (Refer to the attached fact sheets.) They lack capital; they have been burdened by regulations and dissatisfied stockholders; their sales have suffered from very high interest rates; and many of them are lacking in leadership. It is largely these industries, their suppliers, and the technology companies that have been actively engaged in many of the DOE conservation technology programs. These industries need infusion of new technologies and innovative products in order to be revitalized and effectively compete in international markets.

Because of the stockholders' pressures, our industrial management is forced to concentrate on short-term profits. Therefore, management is unwilling, and often unable, to take high risks.

History has shown that in almost every instance when the Federal Government has established a partnership with industry and has supported the required high-risk R&D, market leadership has resulted. (Refer to Table II.) It is very difficult to understand why this well-recognized Government role is questioned when it comes to cost-effective, high-efficiency consumer products emanating from R&D sponsored by DOE. Foreign governments in such countries as Japan, Germany, France, and Sweden have effectively used the partnership concept in the consumer product arena. This action has helped them to become formidable competitors to us in mass-produced consumer products that, in the last few years, have penetrated our domestic market as well as the international markets.

Many of us were of the opinion that ERDA, and later on DOE, would do the same in the areas of high-efficiency products and conversion processes. We need these partnerships in order to establish leadership and healthy industry. This is especially true in our automotive and housing industries that have

TABLE I

CATEGORY	TYPICAL COMPANY	CHARACTERISTICS
Energy Industries	Exxon	Rich in capital. High profits.
Defense Industries	General Dynamics	Dependent on DOD budget. Should perform well in this administration.
Electronic Industries (Communication & Computation)	IBM	Dependent on healthy economy.
Technology Companies	MTI	Largely dependent on healthy economy and Government R&D budgets.
Automotive Industries*	Ford	Losing money. Poor in capital.
Housing Industries*	Carrier (In HVAC)	Very low return on investment.

*These include components and materials suppliers.

TABLE II

INDUSTRY	REMARKS
Agricultural Research Centers	We have very high productivity; we have surplus of food; and we have significant export of agricultural products.
DOD	Militarily, we are a superpower; we export a number of military products. The military aircraft technology has helped to produce an effective airline transportation system and an industry that exports commercial aircraft to many parts of the world.
AEC	We have lost some of our leadership because of the negative attitude that was adopted by the previous administration.
NASA	We have established aeronautics and space leadership. Funding in these areas has greatly helped our electronics industry.

such strong influence on the health of our entire economy. The reorganizations, redirections, and proposed budget cuts (Table III), if implemented, will destroy the very programs that we need and which, in many cases, represent new innovative product options for these industries.

Since 1974, many man-years of effort have been spent in formulating the conservation technology programs and their budgets. This effort has spanned two Republican and one Democratic administration. Various groups have been involved in its development: the management and staff of ERDA, and then DOE; a large number of contractors representing both small and large companies; and a variety of congressional committees through yearly hearings. The budget has risen from zero in 1973 to $297 million in 1981 (see Figure 1). Many of the programs, which were started years back, are now at a stage where significant payoff is just around the corner and the taxpayers can benefit from them. Now, without any detailed analyses, many of these programs are being decimated. This is an insult to the intelligence of all those who have been involved in formulating and supporting these programs. These are the very programs that this subcommittee has supported and, in some cases, enacted the required legislation to insure that they be effectively executed.

Recently, I have heard some criticism and rationalization with regard to the energy conservation cuts. Similar criticisms can be levied against any R&D effort in other segments of the Government or industry. It must be recognized that R&D is very risky and, therefore, one should not expect payoff from each one of the programs. In fact, if payoff resulted from each program, the indication would be that the programs were not of sufficiently high risk for the Government to sponsor. On balance, based on internal and external evaluations, conservation technology programs have shown very high benefit/cost ratios. In addition, the DOE staff is both committed to this area and above average in capability. It is, therefore, mind boggling that these programs are being killed and that there will be a "rift" among conservation staff or a "bumping" by staff with greater seniority coming largely from the old AEC organization. The only rationalization for these actions is that the administration needs to be educated as to the value of these programs. Since education is slow, any significant rescissions or deferrals should be avoided,

TABLE III

		Rescissions		Administration Budget Submission	
	FY '81	Carter FY '81	Reagan FY '81	Carter FY '82	Reagan FY '82
TRANSPORTATION	119,650	-12,000	-38,650	121,691	38,280
Vehicle Propulsion R&D	67,900	-12,000	-26,700	58,400	11,000
Stirling	23,500	-5,000	-9,500	18,100	3,000
BUILDING AND COMMUNITY SYSTEMS	113,770	-1,600*	-51,770	130,555	31,100
Technology & Consumer Products	20,300	-1,000	-7,600	23,300	0
Heat Pumps	7,700	-100	-1,900	8,100	0
INDUSTRIAL ENERGY CONSERVATION	89,700	-30,800	-46,700	51,618	965
Waste Energy Recovery	24,800	-5,000	-10,000	16,700	0
Cogeneration	16,500	-4,500	-8,500	9,500	0

*deferral

Budget Authority for Energy Conservation

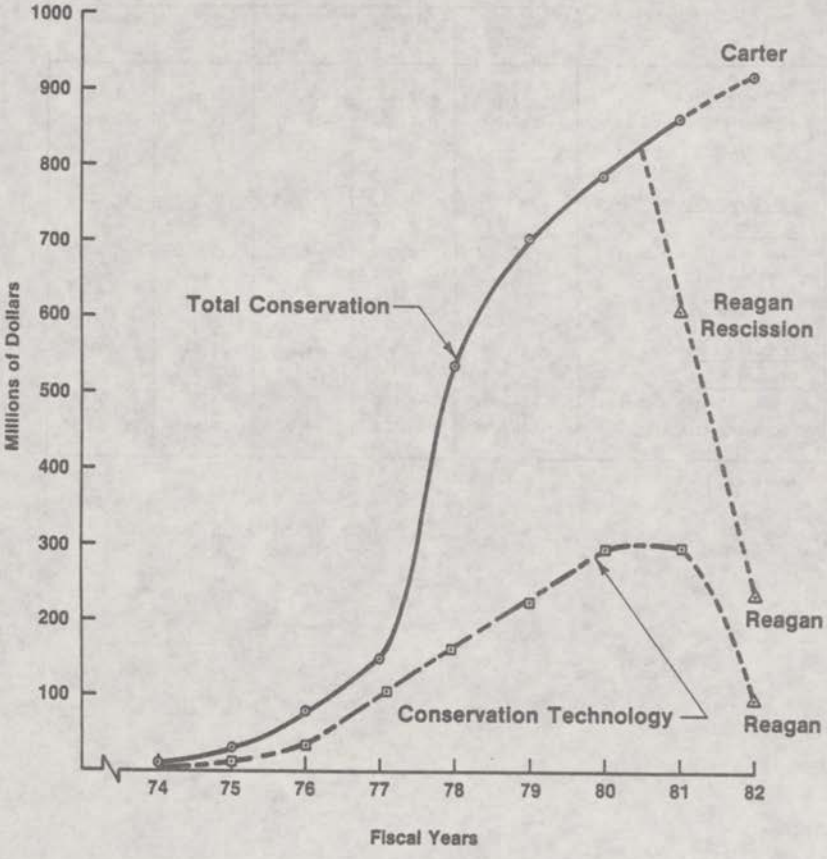


Figure 1

811321

for these will damage or kill many of the programs without giving industry and Congress a chance to analyze more logical areas for budget reductions. Furthermore, until the National Energy Plan III is submitted to Congress, it is premature to make such drastic cuts in conservation technology.

As an example, a much more logical area for the DOE budget reduction could come from the uranium enrichment program. I am familiar with this program since, some twenty years ago, I was personally involved with its formulation and have kept up with its progress and success. In this case, commercial companies which are rich in capital, such as Exxon, General Electric, Boeing, Goodyear, Signal Oil, and others, have been very much interested in investing their capital in facilities and equipment to manufacture and sell enriched uranium. The previous two Republican administrations were taking steps to let U.S. industry assume this role. President Carter reversed this move. This represents a case where the Government can save billions of dollars in the DOE budget by letting private industry take over. This area obviously needs to be reassessed, and it should not be protected at the expense of a large number of conservation technology projects which are still too risky for industry to pick up.

It is obvious that energy conservation often is not well perceived. This is not surprising because conservation carries with it a variety of negative connotations: doing without, changing of life styles, "zero" growth, and subsidy, to enumerate just a few. It is only slowly being recognized as cost effective,* highly efficient, consumer-product-oriented R&D with a positive connotation. Here is a case where a wrong connotation is destroying a very valuable program. Elements of this activity closely resemble the Ministry of International Trade and Industry (MITI) program in Japan which has been highly successful. The Division of Energy Conservation, in large measure, is the only operation within DOE that has been supporting the technology and development of "revolutionary," high-efficiency end-use products and processes, the very elements needed to revitalize some of our exceedingly important industries.

---

*Cost Effective (on a life-cycle cost basis) = First cost+ Energy Cost+ Maintenance Cost

In Figure 2, I have tried to present, in simple terms, some of the key roles of the conservation technology program. It supports the technology advances for cost-effective, energy conversion systems to meet end-use requirements. It is, in fact, complimentary to the energy conversion systems on the supply side.

The new administration apparently does not recognize the value that these programs can have in the revitalization of our American industry. Nor is it aware that many of these programs represent joint ventures between the Government and industry in which both parties have been and are investing. In other cases, institutes, such as the Gas Research Institute (GRI) and Electric Power Research Institute (EPRI), are program partners with DOE and private industry. Unilateral rescissions or cancellations of these programs carry a variety of consequences.

We are in a very difficult transition period which I have called the "Energy Revolution." It will span many decades. I have tried to illustrate it in Figure 3. As the worldwide population continues to rapidly increase and as the industrial revolution expands to other nations, the "Energy Revolution" will become more critical. Various sources of energy are, and will continue to be, required to fuel the industrial revolution and to improve the standard of living throughout the world. If we accept the premise that energy prices will continue to increase and that they are inflationary, it should be easy to conclude that the existence of cost-effective, efficient products that consume less energy to produce the same end result is highly desirable. Existence of such products can have a multiplicity of positive results: they can combat inflation, reduce energy use, reduce energy imports, and improve the balance of trade. In addition, if these products are protected by patents and manufactured in the United States for world markets, they will have the added advantages of increasing employment, further improving our balance of trade, and helping to revitalize a number of our industries. This observation alone should be sufficient justification for a strong and vigorous Government-supported R&D program for high-efficiency products. It is a pity that we are considering a reduction in this effort when other countries have recognized its opportunity, have greatly increased their conservation R&D budgets, and are diligently pursuing its course.

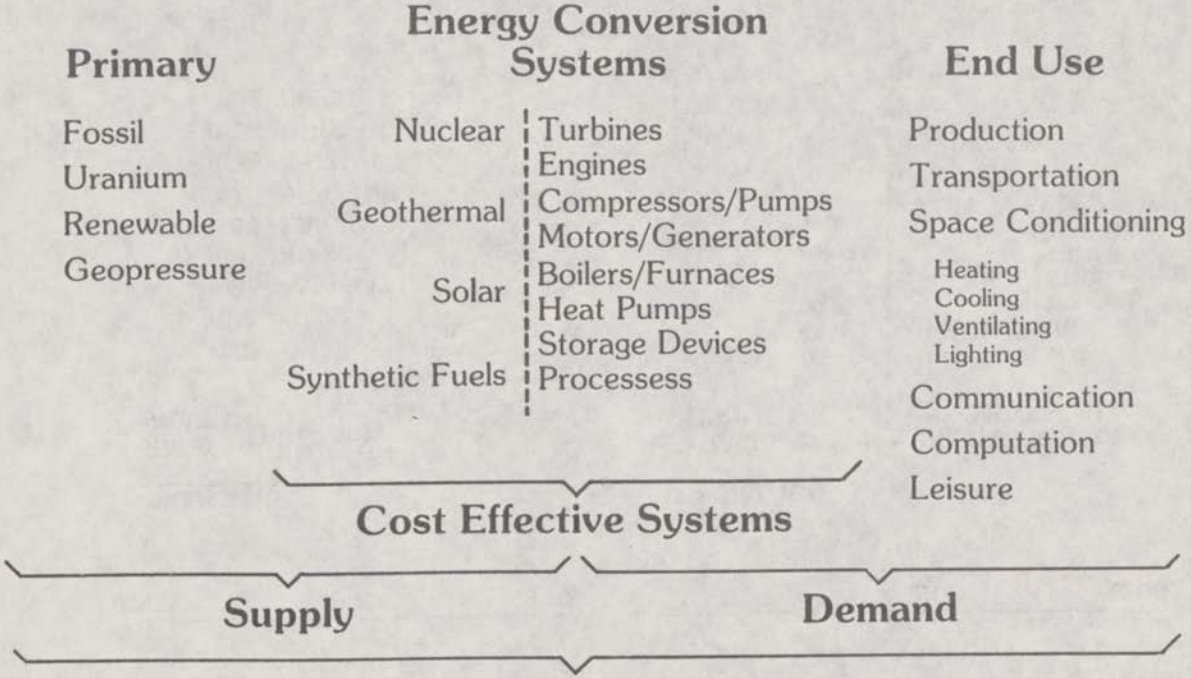
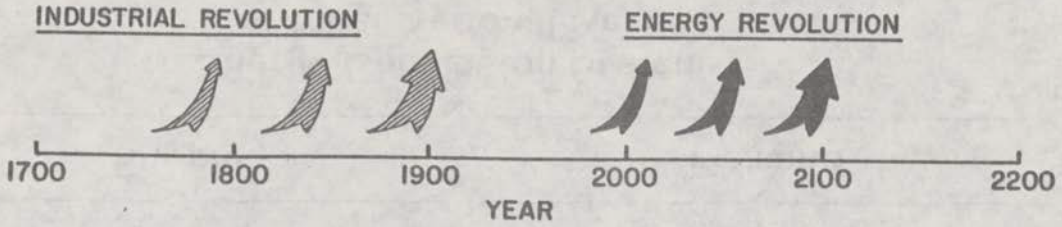


Figure 2

81573

1327

TREND



TRANSITION

HAND INDUSTRY → POWER DRIVEN MACHINERY

- 1763 WATT
- 1816 STIRLING
- 1831 FARADAY
- 1851 JOULE
- 1859 RANKINE
- 1873 BRAYTON
- 1876 GRAMME
- 1876 OTTO
- 1892 DIESEL

TRANSITION

EXHAUSTABLE (FINITE) → INEXHAUSTABLE (RENEWABLE)

FOSSIL < OIL, GAS, COAL

NUCLEAR < WATER, GAS

- HYDRO
- GEOTHERMAL
- SOLAR { THERMAL, WIND, TIDES, BIOMASS }
- FAST BREEDER
- FUSION
- HYDROGEN

Figure 3

811052

Let me next try to illustrate the impact that the proposed rescissions are already beginning to have on private industry. First, let's examine the mode of operation of a high-technology product-oriented company, such as MTI:

- Based on market needs and technology, new "revolutionary" concepts are conceived.
- With Federal support, feasibility of the ideas is established.
- A variety of business relationships are then developed, capital is raised, joint ventures are formed, patents and know-how are sold, and the prototypes are converted into commercial products.

Without the support of the Federal Government, many of these technologies will be developed abroad and, in some cases, we may be forced to sell our technology to foreign companies. (The Japanese are most receptive to buying technology.) As indicated earlier, most domestic companies are motivated by short-term profits and must satisfy their stockholders' pressures. Therefore, they represent a very difficult customer for revolutionary concepts. (They are sometimes willing to pay more, but for a proven idea which can be converted quickly into a profitable product.)

Exporting our technology may have little impact on a short-term basis, but, from a longer term standpoint, these actions will be devastating to our economy. They will negatively affect employment, balance of trade, productivity, gross national product, etc. Being partriotic, we are opposed to this option, but it is a path of least resistance that we and other companies may be forced to follow.

The effect of rescission on three programs in which MTI is engaged is summarized in Table IV. All three programs can have very significant benefits to American industry and, in turn, to the public. The first two are at the most critical stage in their development. The third is very timely because heat pumps can effectively reduce fuel usage for heating and cooling. Thus far, these programs have met all development objectives, including cost and schedule targets. DOE has publicized these programs as being among the most valuable that they are sponsoring. Congress has reviewed these programs.

TABLE IV

EFFECT OF RESCISSIONS AND FY 1982 BUDGET CUTS

TRANSPORTATION - STIRLING ENGINE

- High risk.
- Very high payoff potential, increased employment, improved balance of trade, and very significant energy savings. (Refer to Figure 4.)
- Investments made by both DOE and MTI.
- Technology is being transferred from Europe to U.S.A.
- Status - Program has met all of the milestones - it is on cost and on schedule. Just started tests of MOD I (Refer to Figure 4).

Effects of Rescission

- FY '81 Budget $14.9 Million. We have operated at this level of spending. We expect to meet all program goals, objectives and schedules as set forth in Section 302(b) of Public Law 95-238.
- Reducing the FY '81 Budget to $13.0 Million. Staff will have to be reduced; program will require some revision; some of the program objectives will suffer.
- Reducing the FY '81 Budget to $10.2 Million. Staff will have to be reduced by about 80%; program becomes of marginal value; goals, objectives, and schedules will not be met.

INDUSTRY - WASTE HEAT RECOVERY AND COGENERATION

- Cooperative venture between MTI and DOE (investment by both parties).
- Status - Program highly successful; key remaining task is the assessment of system reliability.

Effect of Rescission

- A strong competition from Japan and France may significantly affect our business position. (This program area is subsidized by the Japanese and French governments.)

BUILDING & COMMUNITY SYSTEMS HEAT PUMPS - (ELCON)

- Significant investment made by MTI.
- Revolutionary electric heat pump with very high yearly energy savings.
- MTI's ELCON system selected by DOE in November 1979 in response to a Request for Proposal (RFP); after more than a year of protracted negotiations with DOE, terms and conditions were finally agreed to.
- Status - As a result of the proposed FY '82 budget cuts, MTI was notified in March 1981 that the program now appears to be "dead."

Effects of Rescission

- We may be forced to license our patents and know-how to foreign companies. (We have been approached by several.)
- This product represents a mass market, and we expect that foreign companies will dominate such a market. (It will create problems similar to the ones presently faced by our automotive industry.)

On March 12, 1981, Dr. Gene Mannella of MTI testified before the House Committee on Science and Technology, Subcommittee on Transportation, Aviation and Materials, presenting the program status and evaluating the negative effect that the proposed budget cuts will have on the automotive Stirling engine program. The impact and status are summarized in Figure 4. A variety of planning exercises have been initiated, cuts in staff are being planned, and the staff that took many years to hire, train, and motivate is being demoralized. Thus, while the legislative process is taking place, the proposed rescissions are already having a negative impact on this and other programs.

Based on my discussion, Mr. Chairman and members of this subcommittee, I wish to make the following recommendations:

1. All DOE programs, on the supply and demand side, should be analyzed from a benefit/cost standpoint and then a balanced DOE program should be established.

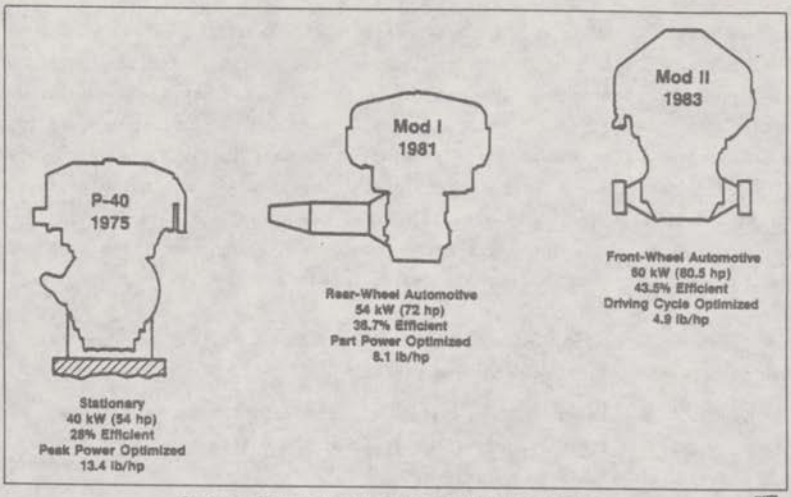
2. All rescissions should be based on the findings from Recommendation No. 1 above. Rescissions should be considered only after the National Energy Plan III has been submitted to Congress and Congress has evaluated it.

3. The FY 1982 budget should be based on the findings from Recommendation No. 1 above.

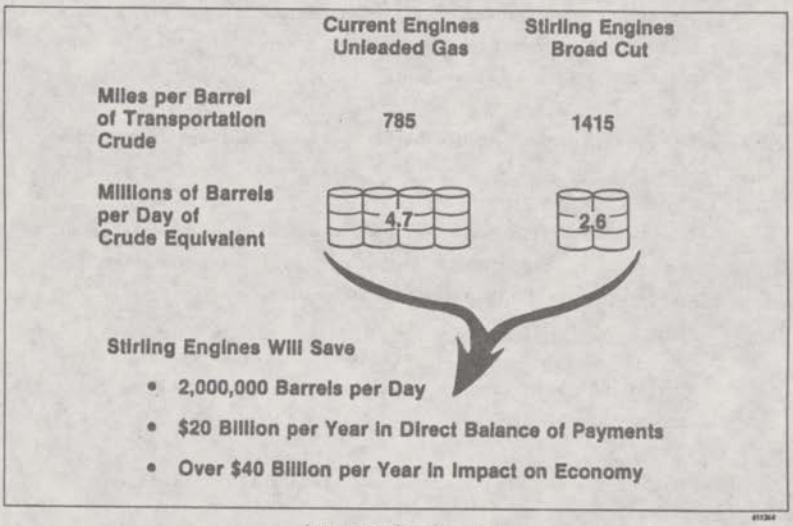
4. The administration must be rapidly educated on the value of many of the conservation technology programs. Congress can play a key role in this educational process.

5. The role of DOE in supply and demand should be reassessed and clearly defined. (The National Energy Plan III will hopefully address this issue.)

Thank you for the opportunity to speak before this subcommittee.



Research Progression of the Automotive Stirling Engine



Automotive Fuel Demand

Figure 4

AUTOMOTIVE INDUSTRY FACT SHEET

1. Automotive industry and related highway transportation sectors account for:

   18% of GNP

   11% of employment

   (Source: Motor Vehicle Manufacturers Association - MVMA)

2. • Roughly one of every six jobs in America is related to the auto industry.
   • In total, more than 4 million people directly owe their employment to the automobile.
   • The auto itself is also a major user of energy.

3. There are approximately 0.2 man-years of manufacturing labor in the automobile and supplier industries per U.S. car. This means that each imported car costs 0.2 jobs. The current number of imports means the loss of over 500,000 jobs. (Source: MVMA, Caldwell in Business Week article)

4. For each automotive industry job lost, it costs the Federal, State and local governments $14,000; therefore, the Government can provide incentive of $3,000 for each U.S. car that displaces a foreign import and break even.

5. Almost 34% of the oil we consume goes to fuel America's fleet.

6. The auto stock is aging and turns over slowly. The current average age of an automobile in the fleet is 6.41 years and is increasing. (In 1975, it was 5.99.) A highly undesirable situation existed during World War II, when, in 1946, the average age of a car was 9 years. (Source: MVMA)

7. Current auto fleet is 104 million. Current U.S. sales would require over 10 years to significantly replace the fleet. Source: (MVMA, Transportation Yearbook)

8. The current distillate stock is 178 million barrels or about a 130-day supply if used only for transportation; gasoline stocks are 277 million barrels or about a 40-day supply. (Source: American Petroleum Institute - API)

HEAT PUMP FACT SHEET

1. The heating, ventilating, and air-conditioning (HVAC) market represents sales of $12 X 10^9/year in manufacturer shipments. Recently, this U.S. market, like the automobile market, is being challenged by the Japanese (Yazaki and Mitsubishi), Italian (Fiat), and German (VW) industries. (Source: Census of Manufacturers.)

2. The U.S. heating, ventilating, and air-conditioning manufacturing industry employs over 2,000,000 people. (Source: Census of Manufacturers.)

3. Advanced electric and gas heat pumps could reduce energy usage by 2MBODE.

4. The U.S. housing stock is relatively old - 40% built prior to 1950, 30% built prior to 1939. The housing stock built before 1939 is being destroyed at a rate of less than 0.5% per year. Advanced energy-efficient heat pumps could represent a significant retrofit market. (Source: Annual Housing Survey.)

Mr. BRADY. I thought that given the enormous wealth of information you already have we ought to try to concentrate on something that was unique and that you would not otherwise get. Let me talk about two things. One is foreign competition in the marketplace and secondly the answer to the central question seemed to come up today which is, Will the free market pick up the slack? Will the private sector pick up the research budget that was dropped buy DOE? Really more important than that, a more fundamental question is, what is the research posture of the United States, how well are we doing and particularly how well are we doing in energy conservation?

So we want to begin just one comment without focusing too much on it about foreign competition. Take Japan as an example. We all hear about Japan having its capital, having a great organization, having trading companies. A recent study just completed but not yet published by Dr. Jack Berinson looked to the Japanese experience again and the one central thing that he came away from is the Japanese ability, which is so important in this era, to manage technological change, their ability to find the right technology, to invest in it and to get it into the market over long periods of time. Now the capacity that they have that we don't is that they are able to work over longer periods of time than we are, to take higher risks and to finance that out of debt. Granted they have a better debt financing system, they allow their banks to lend for long periods of time——

Mr. YATES. May I interrupt you. Where did you find Mr. Berinson's article?

Mr. BRADY. It is not yet published, it was commissioned. Technology and Trade is the title of it. I would be happy to get you a brief summary of it. I happen to have worked on another project with Mr. Berinson and he was kind enough to let me have a summary of his work.

Mr. YATES. If you are working with Mr. Berinson, could you arrange to get us a copy of it?

Mr. BRADY. Yes, I will.

Mr. YATES. Thank you, Mr. Brady.

Mr. BRADY. The critical factor is that they have been able not only to invest in research but to think of what the right research is. They are not superb inventors, they don't have very many Nobel prize winners, but they know how to find the technology and then how to keep it on track and to make the changes as it goes along to fit the world market. That is what they have done in automobiles, in electronics, and they are getting ready to do that in energy efficient equipment.

The Japanese recently have doubled their research budget just between 1979 and 19780. Our point is not to match the Japanese.

Mr. YATES. Do you know what those figures are by any chance?

Mr. BRADY. I can get them and supply them for the record, Mr. Chairman.

Mr. YATES. If you would do that.

[COMMITTEE NOTE.—The information was not provided.]

Mr. BRADY. Actually as it turns out, as you look at it the Japanese are in a better position than we are to spend the same dollar. In other words, their dollar in research goes farther and it does

that for several reasons. One, we have an enormous number of companies and they have few. They are concentrated in a few companies. Their companies are required by government to share technology and at times when it appears necessary the government will come in and squeeze the companies to share and put the thing together and they have no antitrust laws. In this country you are forbidden to cooperate on research except under the most extraordinary conditions.

The third reason is that they have this ability to finance over a long period of time and use debt financing to engage in research. We do not have that. I will comment a little bit later on whether the 10(5)(3) research proposal and the research portion of it thereof of the capital program of the administration is going to be sufficient to solve this problem.

Now it is not just the Japanese but the French have doubled their investment in energy research and development since between 1979 and 1980. The british are going to put $1 billion into the area between 1980 and 1984 and the Germans are going to do likewise. In Europe the research budgets are going up between 66 and 100 percent and in the United States we are cutting them by 70 percent.

Mr. YATES. Are you talking about government funding or are you talking about private funding?

Mr. BRADY. I am talking about government funding.

Mr. YATES. You are talking only about government funding.

Mr. BRADY. Yes.

Mr. YATES. All right.

Mr. BRADY. The French, for example, are putting up $450 million with an industrial base of about a seventh the size of our own in the government and about $250 million of that is in loans and the remainder is in grants. This is matched by about $250 million in the private industry.

The next question is, what is the research posture of the United States' industries? The United States' research has been virtually level for many years after its rapid decline through the Sixties and Seventies. When you look more closely at this you find that those industries which are most energy intensive have the lowest research budget so that those who need to make the changes most rapidly are in the worst position for doing so. If you look at the industrial development budget, industrial energy budget of the Department of Energy, a lot of that work goes to help those particular industries.

So not only that, but when you look at those research budgets—and we have done this by sampling it in the budget—if this is not broken out, we find that of the total research budget no more than 15 percent can be isolated to energy. Secondly, a lot of what passes as research is in fact technical assistance to on-line industries. So our judgment is that the research budget is not as large as it appears; secondly, that it is smallest in those companies and industries which need it most; and third, that it is on a level that is holding up.

Now let's try to find out what the investment climate is as far as research is concerned. By that I mean how does a company look at research? We wanted to find out whether it was likely that with

the new economic environment business would start to make investment in research that they are not making now. A man by the name of Frederick Frank is the Management Director of Lehman Brothers, Kuhn Loeb. He spoke here in the Capitol about a week ago and I will supply, once we get it perfected, his testimony for the record.

[The information follows:]

BLATCHFORD, EPSTEIN & BRADY,
Washington, D.C., April 23, 1981.

Dr. ROBERT S. KRIPOWICZ, *Staff Director,*
U.S. House of Representatives,
Washington, D.C.

DEAR BOB: During my testimony before your committee on April 8, I made reference to a speech by Mr. Frederick Frank, Director, Lehman Brothers Kuhn Loeb Inc., which concerned the critical issue of whether the private sector could be expected to fund longer risk research investments. I requested that the speech be included in the congressional record. A copy has now been obtained and is enclosed.

As you will see, Mr. Franks makes quite clear that systems for evaluating a corporation's performance—systems which affect the ability of corporations to borrow and the rates they will pay—discourage long-range, high-risk research which takes capital out of the corporation's use for extended periods of time, almost without regard to the potential long-range payback. Only a few companies are capable of making investments of this type, he said.

I want to thank the committee, through you, for the outstanding hearing and for your very thorough treatment of the subject of conservation technology funding. At stake is the ability of the country to sustain what leadership it has and thereby prevent a serious erosion in U.S. companies' positions in the U.S. market during the later half of this decade.

Sincerely,

JERRY M. BRADY.

SPEECH OF FRED FRANK, DIRECTOR, LEHMAN BROTHERS KUHN LOEB,
CONGRESSIONAL LUNCHEON—MARCH 30, 1981

It is now widely accepted that the decline in productivity growth and the abrupt increase of energy costs that started in 1973 are among the principal causes of the high monetary inflation and the reduced standard of living that have plagued the nation in the 1970's. It is also recognized that under the best of circumstances energy costs relative to other things will not likely decline. therefore, the only feasible offset to their past rise is through improved productivity.

The sharp rise in the price of energy has rendered economically obsolete many of the fixed assets of industries that manufacture products that use large amounts of energy—such as vehicles and appliances—and the enrgy-intensive process industries such as steel and chemicals. A key measure of the critical situtation that exists in industry today can be seen in the decline of real corporate profitability. The fraction of the corporate equity in the United States that returned more than the cost of new equity has declined steadily, from 60 percent in the fill employment year 1966 to 30 percent in the full employment year 1979. Of the four principal components of the price of goods and services, namely, costs of capital, energy and labor, and the profits in excess of cost of capital, the first two have ben leading inflation and the last two lagging inflation.

As noted previously by Dr. Hatsopoulos, the after tax cost of equity has roughly tripled since 1960; from 5 or 6 percent to about 15–16 percent. For a typical large, strong company . . . debt-to-equity ratio of 0.3 . . . the after-tax cost of capital has risen from 4.5 percent to over 14 percent. This means a corporation must now earn more than 28 percent before taxes, even on low-risk investments, compared to 9 percent throughout the 1960's. Subtracting from these rates the corresponding rates of inflation, (10 percent and 2 percent, respectively), a corporation must now earn 18 percent of pretax income in constant dollars on investments versus 7 percent in the early 1960's.

The difference of 11 percentage points partly reflects taxation of that portion of a company's reported profit that is due to inflation and partly to increased risk premiums demanded by the investing public in a period of economic instability. Thus, the discount rate for future earnings has increased so much that only very short term investments with paybacks of 2 or 3 years are economically feasible. It is hard to think of any of the technological developments that made our industry

great in the postwar era which could have been undertaken in the present economic environment.

Because of the need for rapid payback on private sector investments, the decline in Federal R&D support has not been offset by industry expenditures. Moreover, much of the private R&D effort (43 percent in 1979) has gone into aerospace, defense and electrical machinery developments. These are exactly the same industries receiving the greatest Federal support. Little government funding has been provided for improving energy productivity in our basic industries, and yet this is the sector having both the greatest need and the most promising opportunities. As a result of chronically poor case flow and inadequate return on capital, there has been very little private expenditure for R&D to develop new process in steel, cement, textiles, paper and other basic energy-intensive process industries. Research outlays in these companies typically account for only 0.5 to 0.8 percent of sales, versus 2.1 percent for all manufacturers and over 3.5 percent for machinery producers.

In order to help reduce inflation and restore the fundamental strength of our nation's economy, we must improve industry's competitive position by steadily increasing productivity. There ar two ways to accomplish this goal; (1) increased capital formation, and (2) accelerated technological development. Government policies play an important role in in determining the rate at which both of these processes occur.

Substantial tax reductions, including targeted incentives, are needed to improve industry's cash flow and increase its ability and willingness to invest in new equipment. In addition, government sponsorship is required during the high risk phase of development for new energy utilization technologies that will bring about greater productivity in the energy-intensive industries. Relatively small amounts of Federal "seed" money for the development of advanced technologies such as the organic Rankine bottoming cycle can provide a highly cost effective mechanism for augmenting the effect of the more costly investment tax stimulants.

Given these background observations, it is appropriate to detail, in outline form, selected critical factors determining both the financial ability and management willingness of publicly-owned industrial enterprises to fund long-term, higher risk, technological developments.

1. ESSENTIAL ELEMENTS AFFECTING CORPORATE WILLINGNESS TO FUND LONG-TERM VENTURE DEVELOPMENTS

A decision to sponsor a technological development outside the main stream of a company's operations requires that the financial return from the proposed project exceeds that which can be derived from the base business. Future returns are measured against a discounted present value which takes into consideration both inflationary factors and a risk component. This latter factor, a probability quotient, represents a sever hurdle where new technologies are concerned. Because of the twin requirement of a high inflation factor and a high risk premium, few deveopments can meet the standards for capital allocation.

A positive funding decision also depends on the assumption that neither separately or alone, the magnitude of the investment or the risk associated with the investment will impair the company's senior debt rating. A possible downgrading of a corporate debt rating can represent either or both a higher cost of external funds and, in some instances, the inability of a corporation to raise long-term funds during some periods of relative capital scarcity, even if management is willing to absorb the going rate. Such instances existed in 1974, 1976, 1979 and 1980.

A crucial element underlying management's willingness to fund a high risk development is a subjective determination as to whether or not the financial community reaction to such a corporate sponsored research and development undertaking will positively or negatively affect the company's prevailing price-earnings ratio (captialization rate of earnings). The company's price-earnings ratio is, perhaps, its most fragile and high powered resource. For example, this finance ratio determines the underlying cost of equity capital; it is the currency used in growth via acquisitions; it relates to management incentive compensation programs, and often has an important impact on the cost of a corporate pension and/or profit sharing program. In the case of a very large company, like IBM, a single multiple point change (IBM currently sells for about 10x estimated 1981 earnings) represents $2.2 billion in market value. In the case of Thermo Electron, a smaller enterprise, a comparable change equates to $8.1 million in market value.

Corporate management will endorese such a program only if, assuming success, the final result will make a meaningful contribution to the company's total financial posture. Another factor which exerts an important influence on corporate decisions relating to their general willingness to undertake a long-term investment of a new technology is whether or not the company will have control of the project.

In the instance of a project requiring various partners, some managements, by policy, will only become involved if they obtain 51 percent or more of the owership. This policy often creates an insurmountable conflicit between the developer of the technology and the financing partner. A carefully studied factor in the decision-making process is whether a specfic project represents a defensive or offensive corporate strategy. That is, the question arises as to the corporate risk if a competitor undertakes the development and the project achieves expectations. Could such an event cause the corporation to suffer a major competitive disadvantage as it relates to the base business.

Another factor, and the last to be noted in this brief survey underlying a panoply of challenges in the decision making process, is a more subjective, but not inconsequential consideration: is a given project associated with an endemically attractive market area, e.g. genetic engineering; or is it of an area of more mundane character, e.g., the automobile or truck markets. The perception of how shareholders may react to such a high risk involvement is a serious area of discussion at management and Board levels.

2. SELECTED FACTORS INFLUENCING THE ABILITY OF A COMPANY TO UNDERTAKE A HIGHER RISK, LONG-TERM INVESTMENT UNDERTAKING

A critical financial parametar is the determination as to whether internal cach flow is sufficient for funding the basic business and simultaneously supporting a long-term commitment of a higher risk exposure. Inevitably such venture capital type projects are capital using rather than cash generating for a substantial interval. A disciplined cost of captial analysis becomes an essential ingredient to a decision. Given a hyper-inflationary environment (which is now considered a norm, not an aberration), plus a required risk premium, the necessary return on investment, discounted for present value, must be exceedingly high to qualify for capital funding.

If internal cash flow is inadequate for on-going needs plus the commitment to the venture project, management must forecast the timing of raising outside captial, and simultaneously, judging the likelihood that the markets will provide such needs on a reasonably attractive basis. The history of the 1970's indicates that the capital markets are limited in both quantity and the attractiveness of terms to infrequent periods which those conditions coincide. Corporate management must forecast governmental fiscal, monetary and regulatory policies in adopting long-range programs. Uncertainty in these areas reduces or eliminates the corporation's ability to undertake long-term commitments. An important consideration in a management determining its ability to become involved in a risk investment is whether the project can self-finance on a "project-basis" after a reasonable interval or whether it will require rather constant outside support from its owner(s). A timing element is germane to a management's decision. If the basic business is expanding at a rate that the overall financial growth can "absorb" the adverse effect of a costly investment program, then there is a more amenable environment for sponsoring a high risk program. Very few companies presently have this absorption capacity. In short, management does not wish to assume the leadership and its attendant risk of realigning shareholder expectations which emanate from a very long-term, high-risk funding program.

SUMMARY CONCLUSION

An investment banking appraisal of corporate America's financial ability and willingness to assume a venture capital posture provides convincing evidence that there are few companies which will make a significant commitment to such projects. There is, therefore, a compelling need, given our national imperative of enhanced energy productivity, to bridge the financial vissictudes facing corporations near and intermediate term with a commitment of substantial and unalterable funding from governmental sources. The structure of this funding can be on a partnership basis with the industrial sphere. Without such meaningful deployment of national resources both our competitive deficiencies and our international dependency are likely to continue or even increase. The combination of high capital costs, sustained inflation and critical internal needs for available cash flow mitigate the ability and willingness of American corporations to undertake the novel reserach and development programs which offer the innovative solutions to the problems which are critical to our national interests.

To summarize, our focus has been to discuss those factors which influence industrial managements' willingness and/or ability to

assume the risks associated with long-term venture capital developments. These factors are:

I. Willingness to Fund Long-term Venture Developments

1. Equivalent return vis-a-vis base business: adjust for inflation; and predictability quotient.
2. Debt rating: magnitude and risk element (50 basis points on a $100 million, 25 year debt=$10 million + interest).
3. If successful impact + on p/e.
4. Only if result significant impact on overall company.
5. Defensive strategy more influential.
6. Fund if have ultimate control.
7. Is area attractive or mundane: genetic enegineering vs trucks.

II. Financial Ability to Undertake Commitment of Funding

1. Internal cash flow sufficient for base business.
2. Cost of capital analysis: inflation + risk of new technologies creates an extraordinary hurdle.
3. If need to fund from outside, must analyze debt ratings + access: A or better for full scale access.
4. Changing government regulatory climate increases risk (red dyes, food additives, Dynapol).
5. Can base growth absorb negative internal vis-a-vis investor expectations. Fragile p/e. Dilution.

Let me summarize what he said. His overall conclusion is there is one reason—and this is only one reason—that only very short-term investments with paybacks of two to three years are economically feasible for most companies. Why is this? Because taking the money out of products and developing your main line of business for a long period of time could injure a company's senior debt rating. What is their rating and that is whoever the rating is. They have to be extremely careful to take capital out if you are going to do that because if one point is lost this can be a matter of a billion dollars to some companies and to small companies ten to twelve million dollars. Perhaps we can talk more about that.

Second, it can affect the price earning ratio and also debt cost.

Third, the company must look at whether it can internally finance or it has to go outside to get additional income to finance research. Mr. Frank's conclusion is that very few companies presently have the absorptive capacity to make additional long-range research investments.

Now the last question is, what will change as a result of the administration's package? We think very little. The senior debt rating will remain the same, the price earnings ratio will remain the same, and what is more the United States companies are financed by stock markets whereas the Japanese, the Germans, and so on are financed by debt and by joint government and private research. That is not going to change, in fact it is going to get worse.

I look particularly at the proposal. I made some inquiries of the Ways and Means Committee today as to whether the proposal that has been put forward by the administration on the 10(5)(3) research package is going to be sufficient and their conclusion is that it is not. All there is in that package is a three year writeoff for research equipment and a six percent investment tax credit. Now in fact very little of the research has to do with equipment, most of it is manpower. The conclusion is that they would rather have a longer period of writeoff and a higher investment tax credit. The administration's position is we will only put it on equipment, we

will only put it in for three years and that's that. There is no flexibility on this question.

Finally, we do not see any change offered in antitrust policy. We do not see that there is going to be additional efforts to allow companies to cooperate in this regard. Although this is not the problem of the Appropriations Committee, we do consider it a substantial problem. So in the end our conclusion is that not only has nothing changed in the requirement but things are going to get a great deal worse.

Consequently, Mr. Chairman, to summarize, we believe that the transportation budget and the building and consumer products budget and industrial budget are all extremely important and that frankly you are the last bastion between those being cut and what hope we have for their surviving and helping us to become more competitive in the world market in the service energy industry.

Thank you.

Mr. YATES. When you talk about the transportation budget are you talking about automobile engine development?

Mr. BRADY. Yes.

Mr. YATES. You mean three turbine development?

Mr. BRADY. I didn't know that we had three turbine development.

Mr. YATES. We have three. The committee thought it should perhaps be one of each, one Stirling and one turbine.

Mr. BRADY. I have a certain conflict of interest in answering that question because some of our members are in the Stirling business. More than one of our members is in the Stirling business.

Mr. YATES. There is no conflict. We are continuing Stirling engine research so there is no conflict.

Who is the next witness?

Mr. STERNLICHT. I will try to follow because it follows logically Jerry's comments.

Mr. YATES. All right.

Would you identify yourself.

Mr. STERNLICHT. Beno Sternlicht.

Mr. YATES. You have been here before.

Mr. STERNLICHT. Yes, I have.

Mr. YATES. I remember you.

Mr. STERNLICHT. Your commitment and concern with respect to the energy conservation is really evidenced by holding this special hearing. However, in the few minutes that I have I would like to appeal to your sense of logic and give you some food for thought before you make your budget decisions. I would like to give you some insight into the facts of the proposed fiscal year 1981 decisions and the fiscal year 1982 budget reductions on some of the conservation technology programs and in turn on some of the U.S. manufactured consumer products. My comments will be from the vantage point of a technology oriented company which I represent.

Most of us recognize that the present mood of the country is to reduce Federal spending and I endorse this novel objective. It is important, however, that these reductions be analyzed carefully and if appropriate should be adopted only after the President has submitted the National Energy Plan No. 3 to Congress and Congress has reviewed it.

While the budget is going through the legislative process we hear such comments as: We must revitalize our American industry. Let the market forces govern. Industry will do it alone. The questions are how and who. It is true that we must revitalize our innovative process which has fallen far behind most of the developed nations and the industry can do it alone. However, the United States industry will not do it alone for some very good business reasons and Jerry alluded to them which I will discuss later. In fact, I firmly believe that the foreign industry will largely benefit from the proposed cut into energy R&D and in particular from the very large conservation technology slashes.

Let me try to illustrate my point. Because of the stockholders' pressure our industrial management is forced to consider only short-term profits. Therefore, management is unwilling and often unable to take the high risk but the management of this country which you people represent must look longer term. History has shown that in almost every instance where the Federal Government has established a partnership with industry and has supported the required high risk that R&D market leadership has resulted. I have a table which illustrates a number of different examples of this; specifically, for instance, the Agriculture Research Center and what it has accomplished with reference to that area of technology, NASA and so on.

Now the proposed cuts represent really an insult to the intelligence of all of those who have been involved in formulating and supporting these programs. These are the very programs that this subcommittee has supported and in some cases enacted required legislation to insure that they are effectively executed.

If we look at a figure that I am showing, if you look at the history of the conservation programs as a total and then the conservation technology, we would see that the proposed thing would bring the whole program to zero by 1983.

Mr. YATES. But you may get a balanced budget.

Mr. STERNLICHT. We may get a balanced budget, that is right.

Mr. YATES. Yes.

Mr. STERNLICHT. While I am in favor of the cuts, obviously the thing that is a problem, and this has been discussed by several other people who have testified over here, we really need a balanced program. As an example, a much more logical are for the DOE budget reduction could be from the uranium enrichment program. I am familiar with this program since some 20 years ago I was personally involved with its formulation and have kept up with its progress and success. In this case commercial companies which are rich in capital such as Exxon, General Electric Company, Boeing, Goodyear, Signal and others have been very much interested in investing the capital in facilities and equipment to manufacture and sell enriched uranium.

The previous two Republican administrations were taking steps to let industry assume this role and President Carter reversed this move. This represents a case where the Government can save billions of dollars in the DOE budget by letting private industry take over. This area obviously needs to be reassessed and should not be protected at the expense of a larger number of small conser-

vation technology projects which are still too risky for U.S. industry to pick up.

It is obvious that energy conservation is not well perceived and this is not surprising because conservation carries with it a variety of negative connotations: doing without, changing of life styles, zero growth and subsidy to enumerate just a few. It is only slowly being recognized as cost effective, highly efficient, consumer product oriented R&D with a positive impact.

In one of the figures that I present over here, Figure 2, you are really talking about a cost effective system, on the one side having the supply and on the other side having the demand. In reality it is the energy conversion systems that we are really discussing, whether they be on the supply side or on the demand side. It so happens that at the present moment the supply side programs are retained and the demand side programs are eliminated by these various cuts.

If we accept the premise that energy prices will continue to increase and that they are inflationary, it should be easy to conclude that the existence of cost effective, efficient products that consume less energy to produce the same end result is highly desirable to our economy especially if these products are protected by patents and manufactured in the United States for world markets. They will have the other advantage of increasing employment, further improving our balance of trade and helping to revitalize a number of our industries. This observation alone should be sufficient to justify for a strong and vigorous Government-supported program for a high efficiency product. It is a pity that we are considering a reduction in this effort when other countries, as Jerry enumerated and several others, have recognized this opportunity and have greatly increased their conservation R&D programs.

Let me now illustrate the impact that the proposed rescissions are already having on the previous industry. First let's examine the mode of operation of a high technology-oriented company such as MTI. There are really three elements to the operation of a high technology company: Base of markets needs and technology, and how new revolutionary concepts are conceived. With Federal support feasibility of these ideas is established. That is the second step. The third step is a variety of business relations are then developed, capital is raised, joint ventures are formed, patterns and knowhow are sold and the prototypes are converted to commercial products.

Without the support of the Federal Government many of these technologies will be developed abroad and in some cases we may be forced in this country to sell our technology to foreign companies. The Japanese and the Germans are most receptive to buying technology. As indicated earlier, most domestic companies are motivated by shortened profits and must satisfy the stockholders' pressures and therefore, they represent a very difficult customer for revolutionary concepts. They are sometimes willing to pay more but for a proven idea which can be converted quickly into profitable product and it is these ideas that are generally supported by Government spending.

Exporting our technology may have little impact on the short-term basis but for a longer term standpoint these actions will be devastating to our economy and they will negatively affect employ-

ment, balance of trade, productivity, gross national product, etc. Being patriotic we are opposed to this option but it is the path of least resistance that we and other companies may be forced to follow.

The effect of decision on three programs of MTI are illustrated in the table and I will not go into detail over them but they are quite different and that is why I have selected these three programs. In one case it would effectively make the program much more effective, in another case we will have serious competition from the Japanese and the French, and in another case we are forced to sell out the technology abroad.

Now when we started this whole meeting you asked what do we want this committee to do. I have five points of what I would like to see the committee do.

All DOE programs on the supply and demand side should be analyzed from the benefit cost standpoint and than a balanced DOE program should be established.

Two, all decisions should be based on the findings from Recommendation No. 1 above. Decisions should be considered only after the National Energy Plan 3 has been submitted to Congress and Congress has evaluated it.

Three, the fiscal year 1982 budget should be based on findings from Recommendation No. 1 above.

Four, the administration must be rapidly educated on the value of many of the conservation technology programs. Congress can play a key role in this educational process.

Five, the role of the DOE in supply and demand should be reassessed and clearly defined. The National Energy Plan No. 3 will hopefully address this issue.

I want to thank you for giving me this opportunity to appear before you.

Mr. YATES. Thank you.

Before the others proceed, those bells are summoning me for a vote. I will vote and then I will come back.

I am sorry for the delay. You have been patient and I hope you will be patient some more.

[Whereupon, the subcommittee recessed.]

Mr. YATES. We will go back on the record.

Mr. Kamo, would you like to go next?

Mr. KAMO. Yes.

Mr. YATES. Are you from Indiana?

Mr. KAMO. Yes.

Mr. YATES. From the Cummins Technical Center. I have heard so much about Cummins Engine and about the town that Cummins Engine built.

Mr. KAMO. Columbus.

Mr. YATES. Yes. I want to see it some day, I hear it is just wonderful.

Mr. KAMO. Just don't come to Columbus, Ohio.

Mr. YATES. All right, I won't.

Mr. KAMO. The French army group wanted to see our adiabatic engine and they came to Columbus, Ohio because their embassy told them Columbus, Ohio and they didn't come.

My name is Roy Kamo. I am Director of Advanced Engines and Systems at the Cummins Engine Company in Columbus, Indiana. We are a small independent diesel engine manufacturer and probably in a good year, the past seven or eight, we made more trucks than all other makes combined, including General Motors.

I would like to give you a little background about Cummins Engine Company's research effort in advancing the power plants and our experience with the U.S. Government in our program and where I think we ought to go. Cummins, as I told you, is a small company. We have been an independent company. We never took a penny of Government research money for 55 years and then around 1970, the early Seventies, with the emerging social, technologic and economic problems facing the automotive industry we felt that we should work closer with the Government.

In 1974 we took our first Government money for $50,000 and then in 1976 we took a program with the Government. Mind you, these are all cost-shared programs with Cummins and the Government. In 1980, last year, towards the end of the year we developed and demonstrated an adiabatic turbo compound engine which has developed pure consumption like 48 percent thermal efficiency. Over the 55 years when we had no real development effort going on, our fuel consumption was something like 35 percent, plus or minus a few percent. So this was a big improvement in fuel economy thanks to the Government support because Cummins would never have supported this program on its own.

Namely, the TACOM group, the Tank and Automotive Command in Warren, Michigan and the Transportation Department of the Department of Energy who has supported this program has made it possible to get to this kind of what we call the world's most fuel efficient engine, and it is. I don't know of any kind of engine that could beat this kind of fuel economy.

Mr. YATES. Is this a relatively new discovery? I know you have been making diesel engines for years. Is this a special kind of diesel that you make?

Mr. KAMO. Yes. This engine uses no cooling water. There is no sense in dissipating your energy to the cooling system, putting it through the radiator, taking power from your engine to run the fan. We get rid of all that. So this engine is waterless; it has no water pump, no radiator, no fan, and so the parasitic losses are zero.

Mr. YATES. It is too bad you have to use diesel fuel.

Mr. KAMO. Yes.

Unfortunately, the thing that made this engine possible is a material called transformation tufen zirconia and again unfortunately this material availability, we know of four places where we could get it and three of those are foreign—Japanese, Australia and Germany—and one U.S. When I went to Oak Ridge National Laboratory last year they told me, "We are surprised you are working with this material, this is just a laboratory curiosity in the States." So then I thought that we have some work cut out for us because I know this is going to catch on and I say in 10 years you won't see any more radiators on your cars.

We think we have made very good progress on this engine and we think engines can be made more efficient. You know, I said 35

76-703 0 - 81 - 39 (6b)

percent efficiency for the last 55 years and then the last 10 years we have gotten down to something like 48 percent thermal efficiency.

Mr. YATES. You have whetted my interest though. Where do you get your zirconium? How can you have an engine without having a source for your zirconium?

Mr. KAMO. I don't know where the company gets their zirconia.

Mr. YATES. Obviously if zirconia is necessary for this very important engine, you have got to have a source of zirconium. One of the reasons I asked the question is I know that other companies that have testified before us have testified about the difficulty in obtaining heat resistant materials and now my mind goes back to that diesel fellow Moody who testified before us who was supposed to get 60 miles to the gallon and he has a turbo charge diesel engine that he said would give him 60 miles to a gallon. We said, "Are you going to take it up to EPA to test it?" and he said, "Yes," but the test never came off and all of a sudden Moody disappeared.

Now does your engine get 60 miles per gallon?

Mr. KAMO. Easy.

Mr. YATES. Easy?

Mr. KAMO. Yes, because, you see——

Mr. YATES. Why don't you put it in automobiles then?

Mr. KAMO. Because we are just in the development process in the heavy duty truck engine.

Mr. YATES. Oh I see.

Mr. KAMO. This is still in the technical feasibility stage.

Mr. YATES. I see. All right.

Mr. KAMO. The next stage is to try to put it into the passenger car engine, translate this technology into the passenger car. We think we can do this.

Mr. YATES. Good luck.

Mr. KAMO. Thank you.

Mr. YATES. I am sorry to have interrupted your train of thought and I hope you can get your zirconium.

Mr. KAMO. We will.

There is zirconium in Ohio, they just have to learn how to make the partially stabilized version.

Mr. YATES. All right.

Mr. KAMO. Now the next step in this heat engine development, we know where we have to go. It is called the minimum friction engine, get rid of the friction and get rid of the lube oil. We got rid of the water and in the process of getting rid of the water the engine runs very hot and the material can stand these temperatures so now you can burn all kinds of fuel. We have multifuel capability with this engine. When you look at it, over half of our warranty problem in the field is due to the cooling system. We get rid of that and the maintenance cost goes down, so we think it is a good thing.

The next step is the minimum friction engine. Running a piston and cylinder liners on gas bearings, running your main bearings and crank pin bearings and wrist pin bearings with ceramic roller bearing just like America's cruise missile does unlubricated so we don't need any water or any lubrication. So this is the next engine. The efficiency on that engine will get to something like 55 percent

and the Transportation Department's Department of Energy program on the bottom cycle has shown that you can take remaining exhaust energy and convert it to maybe get thermal efficiency over 60 plus percent. So, you see, you are talking big improvement in fuel economy in the next decade or so.

Mr. YATES. How do you expedite it? How do you speed it up?

Mr. KAMO. How do you speed it up? Well, this is why I think DOE's support program of this nature has been a big step because I told you we would not have done it alone, no way.

Mr. YATES. If you received additional funds from DOE, would that expedite the date when the engine becomes usable commercially?

Mr. KAMO. Oh, yes.

Mr. YATES. Why don't you ask for the funds then?

Mr. KAMO. Well, we have. I did not want to make a pitch here.

Mr. YATES. Why do you need the turbo?

Mr. KAMO. We have vast turbo——

Mr. YATES. Turbo, but there are three contractors now.

Mr. KAMO. No, that is the turbine.

Mr. YATES. This is turbo compound diesel.

Mr. KAMO. Yes.

Mr. YATES. All right.

Mr. KAMO. The engine is insulated and the exhaust energy is converted into useful energy by the turbo compound device that the DOE has been helping us with.

Mr. YATES. Good. That is fine. That is the best thing you have said about the DOE today.

Go ahead.

Mr. KAMO. We are really happy that they have been able to help us because, like I said, we would never be here without their help.

Mr. YATES. Good.

Mr. KAMO. Now we think the engines that I told you where we get 60 plus percent efficiency is possible and with continued help and support along the technological area, especially in high temperature material and high temperature solid lubricants, that is what we are using and the value is going to hydrocarbon, petroleum-based lubricants and things like that. We need more help there and system integration to demonstate this thing. We are really acting to be a part and be a service to the U.S. Government and we hope we could still continue to maintain our competitive position in the marketplace.

Mr. YATES. Good. Thank you very much. That is a very heartening statement.

Mr. Jorgenson.

Mr. JORGENSON. First of all, I asked for a copy of the testimony. Does anybody have a copy of my testimony around any place?

Mr. YATES. Of your testimony? Yes, we have it.

Mr. JORGENSON. You can keep it, I just wanted to make sure you had it.

Mr. YATES. Sure, we have it.

Mr. JORGENSON. All right.

What we are here today to consider is one of the most radical reorientations of energy policy in the radically reoriented future that we have faced since 1973 and in particular the halving of the

conservation solar energy budget in 1982 and, of course, phasing it out very shortly thereafter.

What I am here to talk about is the macroeconomic impact today. The rhetoric that goes with budget cutting is, I think, largely appropriate; namely, that it has to do with reducing the inflation rate. Of course cutting he budget is not the only thing that the Government does that makes an impact on the inflation and we are all aware of that. One of the things that the Government does that has a big impact on inflation is to promote energy conservation and what I am here to present is a case, which I hope you will find convincing, that in fact the initiatives proposed by the administration are at cross purposes.

On the one hand, cutting the budget is certainly going to reduce the inflation rate and we can discuss that in more detail, but reducing energy conservation is likely to increase the inflation rate and what I would like to do is to spell out the specifics of it and for that purpose in the material that you have there I would like you to look at a table on page 35 which essentially looks at an overall analysis of the conservation and solar programs. For the purpose of this hearing, of course, you are primarily interested in conservation programs but let's just focus on conservation and solar as a big piece of the same proportion.

At the top of the page there what you see on page 35 are the reductions in energy use that are associated with the conservation and solar programs. If the programs currently in existence continue in existence, what we will see is a reduction of five quads, quadrillion BTUs in 1985; 11 in 1990, 16 in 1995 and 23 in the year 2000. Let me say that these are not DOE figures, these are figures that we produced ourselves and this testimony describes how we did it based on data that was provided by the DOE but these are not numbers in terms of energy savings that are in some sense intended to promote these programs, they simply are estimates of what the savings would be.

The other question is what is the impact of that on inflation. The mechanism is very simple and that is that we have had since 1972 an increase in world petroleum prices that is depending on how you calculated between 12 and 15 tons. This is roughly a four to fivefold increase in 1973 for and then off course again in 1979 and 1980 there was an increase of about another 150 percent.

We anticipate and the Department of Energy has anticipated for some time that there will be further increases in energy prices. If you look at Table 1 which is just below the figures that I just mentioned, you will see that the reference case projection, even now obsolete, is that there will be an increase of about 50 percent from $30 a barrel to $45 a barrel between 1980 and the year 2000. A hard priced projection which would be much more in line with current experience would put that about 50 percent higher; in other words, it would bring the world petroleum price in the year 2000 up to $67.50.

Now let's look at the impact of conservation programs on the inflation rate under those circumstances. If you will turn to Table 3 on page 37, we can have a look at the calculations and they are given in the top two lines. What we look at there is a reference case which assumes that essentially the budget is eliminated,

which is what the Reagan administration has proposed, and then a conservation program which simply assumes that the original program is left in place. What we are looking at there is the response of the inflation rate to changes in world petroleum prices. What this shows is that if world petroleum prices do increase by 50 percent that the annual inflation rate throughout the rest of the century will go up by about 12 percent a year as a consequence.

Now let's suppose that the conservation programs are left in place. Between 1980 and 1985 that 12 percent figure will remain about the same because of the fact that the conservation is going to be not all that substantial really during that period; between 1985 and 1990 there will be substantial conservation as a result of these programs and the percentage increase in inflation rate on an annual basis will drop from 12 to 9. From 1990 to 1995 the drop will be from 9.2 to 5.9 and from 1995 to the year 2000 from 12.9 to 5.6.

The conclusion then is that these conservation programs can contribute a great deal to reducing the inflationary impact of higher petroleum prices. That is exactly what they are intended to do, of course, and that is one of the main economic benefits that will result from these conservation programs. That is one aspect of it then and what I did is to present that analysis simply to tie the conservaiton progams directly into the stated objectives of the President's economic program.

Again the stated objectives of the program are to reduce inflation, and reducing the budget will certainly do that. But eliminating the conservation program which is part of this budget cut is something that will have consequences that are exactly opposite; namely, that they will make the U.S. economy much more vulnerable to further petroleum price increases and will heighten the inflationary impact of these petroleum price increases.

Let me just review the basic arguments for these conservation programs in terms of costs and benefits again, that is the language that I am familiar with as an economist. One of the things that accompanies the analysis that goes with the elimination of these programs is the idea that somehow cost benfit analysis produces the result that these conservation programs are no longer cost effective or are not cost effective.

All the evidence that you have reviewed today, the testimony that you have received in all these panels, has been in exactly the opposite direction. What these panels have been telling you is that the progams which we have analyzed here are programs that have very high benefit/cost ratios. The benfits are very high, on the order of magnitude of three or four times the cost.

The question is, what is the impact of, say, higher energy prices? Has anything changed since these cost/benefit analyses were done; for example, did the big runup of energy prices in 1979 and 1980 somehow change the rules? Not at all. The benefits have increased because all of those benefits are denomintated in terms of energy prices, they are savings of energy and therefore these savings are going to be that much more important. The costs, on the other hand, have not gone up in proportion to the energy costs and that being the case the benefit/cost ratios have increased.

Well, I submit then that on the basis of whatever econimic analysis I can muster, whether it is a macroeconomic analysis

looking at the inflationary impact or a macroeconimic analysis that looks at the cost/benefit ratio, I just cannot rationalize these cuts in the conservation and solar programs in economic terms. Since they are justified in these terms, I wonder what rationale there is for them.

That is the substance of my testimony.

Mr. YATES. Thank you very much.

Mr. Greene.

Mr. GREENE. Thank you.

I am David Greene, Group Leader of the Transportation Energy Group at Oak Ridge National Laboratory which has been conducting research and analyses of energy issues related to the transportation for four years at Oak Ridge.

There are four major points that I want to convey.

First, that the transportation sector is key to our petroleum imports problem.

Second, that a look ahead twoards 2000 indicates that long-range technology research and development is needed and that the Federal Government is probably the only agent in the society with a long enough social time horizon to worry about that future.

Third, that right now Government actions can help to improve the efficiency with which the market operates in transportation and thereby conserve significant amounts of petroleum.

Fourth and finally, that what are sometimes referred to as soft DOE transportation conservation programs for example, ride sharing, driver education for conservation have a potentially very significant role to play not only in improving the fuel efficiency in every day driving but also in helping the Nation minimize the loss of mobility during supply emergencies.

A recent study conducted by Oak Ridge in collaboration with Argonne National Laboratory examined possible future trends in transportation energy use and the potential impacts of DOE conservation programs on those trends. Our study produced some interesting results which in fact turned out to be quite insensitive of the detailed assumptions we had been making in evaluating those programs.

Our base line forecast for the year 2000, excluding the DOE conservation programs, was based on both rates of just under two percent under GNP personal disposable income, about a one percent growth for population and about a modest two percent growth in real prices of petroleum transport fuels from 1980 to 200, annual growth.

With these kinds of growth assumptions, even assuming substantial fuel economy improvements for each mode, we assumed about a 25 percent improvement for heavy trucks by 1990 across the board, compliance with the 1985 corporate and fule economy standards for automobiles and light trucks, the introduction of NASA developed deficient aircraft technologies. Even given those, our forecast indicated substantial increases in transportation energy use from about 19.5 quads in 1980 to 23 in 1990 and 27 in 2000.

Because of automobiles fuel economy improvements through 1985, the energy use of automobiles was held at about constant in the forecast so you can see that most of the growth comes from other modes and these tended to increase roughly and proportion-

ately with incoming GNP growth despite substantial fuel efficiency gains. The estimated impact of DOE transportation energy conservation programs was to even accentuate this trend away from the automobile dominated pattern of energy use. Under the budget proposed by the previous administration we estimated savings of about 4.5 quads in the year 2000 of which about 1.5 were alternative fuels of various sorts for a conservation savings of almost three quads.

What this transportation energy future means, I believe, is that if the petroleum use of transportation is to be greatly reduced without greatly reducing the mobility of persons and goods in our society that we need new technology. These new technologies must first increase the conversion efficiencies of petroleum based fuels and second be capable of using nonpetroleum based fuels in an efficient, safe and environentally acceptable manner. Technologies with applications in marine, rail and particularly heavy truck transport are especially needed.

The kinds of technological developments which are needed in transportation, whether these come through advanced batteries or sterling engines or turbines or adiabatic diesel or some other energy conversion or storage technology, are not likely to be ready for the market for 10 to 20 years. furthermore, much of their overall benefit to society in terms of improved environmental quality and greater national security will be external to the market and thus these are hardly characteristics which are going to attract private research investments, especially in the present economic clients.

In other areas our research has shown that Government actions can and are now conserving significant amounts of petroleum by helping the market to operate more efficiently. This is done by providing consumers with consistent and credible information on which to base their decisions. Our analyses of detailed monthly automobile sales data, for example, show that at least 20 percent of the overall fuel efficiency improvement in the new cars each year is due to the selection by consumers of more efficient models within the same size class and that is controlling for the introduction of new cars and the improvement in the efficienty of existing vehicles.

In order for consumers to have made these intelligent choices it was necessary for them to know which cars were more efficient and by how much. The fule economy labeling program which includes DOE's publication of the gas mileage guide provides that kind of information.

There are other areas in which information alone could save signficiant amounts of fuel. It was mentioned earlier about so-called fuel saver engine oils which have been documented to save from one to seven percent over normal high quality, multigrade engine oils. These now sell on the market for 25 to 50 cents a quart above the price of other multigrade oils so that the extra cost of a five quart oil change would be recouped in one to three months by a typical consumer owning a 15 or 25 miles per gallon vehicle.

If you assumed only a two percent fuel efficiency, you are probably conservative so it is difficult to understand—and I think you asked the question—why any consumer would pass up a bargain

like this but a 1979-80 survey of consumers showed that only seven percent used special or synthetic oils to improve the fuel efficiency of their vehicles.

I would suggest several reasons for this. First of all, most consumers are either not aware of or simply do not believe the fuel economy claims of the fuel saver oils and they have certainly not done the calculations necessary to see if the extra cost is worth it. The fuel efficiency improvement is not measurable by the average consumer. If an additional 75 percent of all oils in light trucks used these oils, again assuming a two percent savings, we would save on the order of 1.5 billions of gallons of gasoline annually. Then there are other areas that one could mention.

Mr. YATES. How many billions do we use on the average?

Mr. GREENE. About 100 billion. I don't know exactly how many this year but it will probably be something like 102 billion or 103 billion gallons.

Mr. YATES. Cummins Engines better hurry up, hadn't they?

Mr. GREENE. They better do something.

That is likely to keep going down for some time, I think. Nonetheless, I think a well-conceived program of research as to how the fuel efficiency existing can be improved through individual actions in the way of maintenance or driver behavior has the potential to pay handsome returns for minimal investments.

It is clear that the Government has an important role to play in minimizing the impacts of possible future petroleum supply emergencies that insure an effective and equitable distribution of available supplies. What is less often recognized is that ongoing conservation information and outreach programs such as ride sharing or driver awareness constitute important resources for coping with supply shortages. For example, if the short-run price elasticity of gasoline demand is minus .2, then a 10 percent shortage at unregulated prices would trigger a 70 percent price increase and with a 20 percent shortage a tripling of prices would result.

Having the information resources and infrastructure available to the individuals when a shortage occurs can greatly enhance their ability to respond to the shortage with the least amount of loss in mobility. In effect what I am suggesting is that knowledge and intelligent response can be used to increase the short-run price elasticity of gasoline. Incidentally, it makes a big difference if it is .1 or .2. In the 20 percent shortage a .1 elasticity would increase price by about nine times unless the economy collapsed in the meantime.

Let me offer some evidence to support that contention. Survey evidence indicates that during the Arab OPEC oil embargo of 1973-74, only two to three percent of workers who formerly commuted alone began ride sharing. After five years of Government promotion of ride sharing as an energy conservation measure consumer response to the 1979 shortage was much different. Survey evidence indicates that between seven to twelve percent of drive-alone commuters took up ride sharing to conserve gasoline. On an annual basis this would correspond to a savings of somewhere between a half and a billion gallons of gasoline and I would suggest most of that is due to the efforts of Government programs.

The driver awareness and training programs also have tremendous though largely unrecognized potential as emergency conservation programs. There is good reason to believe that fuel economy gains on the order of 10 percent are possible through model car driving strategies. Even if these were often too tedious for the average driver to use in his every day driving, the potential of the program as an emergency conservation method should easily justify the small investment in research and information dissemination it would require.

In concluding I would say that a petroleum conservation policy which consists of higher prices alone is only part of a conservation policy. Higher prices are a necessary but not sufficient part of a national energy policy. When reduction in petroleum imports is a national goal, then the Government has a role to play in fostering research and development of new technology and enhancing the efficiency of the market system by developing and disseminating the information consumers need to make intelligent choices. When petroleum conservation is achieved by merely doing with less, then conservation means suffering but when it is accomplished through technological innovation and more intelligent decision making, then it means progress.

Mr. YATES. Thank you very much, Mr. Greene.

Thank you, gentlemen.

Let me ask you a question. What is the status of the hybrid engine, the diesel electric? Would anybody know?

Would you know that, Mr. Kamo?

Mr. KAMO. No.

Mr. YATES. Yours is strictly diesel.

Mr. KAMO. Yes.

Mr. GREENE. I cannot say I am exactly accurate because sometimes my information turns out to be out of date when we revise the plans, but I do not think that that is included in the present budget.

Mr. YATES. Well, should it be? For the electric car we are cutting back on that program because all we have got is the same car and we keep waiting for the improvements in the battery. What about a hybrid electric car, one that uses a combination of diesel and battery, switching from one to the other?

Mr. GREENE. I really do not claim to be an expert on the particular technical aspects of these technologies.

Mr. YATES. I will ask DOE tomorrow. I thought being captain of the team you would know the answer to this. Well, maybe you ought to hang around for tomorrow and you will have the answer.

But it sounds very logical as an extension, I guess, if you have a battery that will let you have a range of 100 miles and you would tie that into diesel, it seems to me that you should be making a lot of progress with that, shouldn't you?

Mr. GREENE. Not necessarily. Some of the studies which I have seen would indicate that in terms of performance and other characteristics that just making them very low performance internal combustion engine cars might be just as well although again I would say I am the wrong person to ask that question.

Mr. YATES. All right. We will ask DOE tomorrow.

Mr. Rosenfeld.

Mr. ROSENFELD. We have a B battery program at Berkeley.

Mr. YATES. You have a what?

Mr. ROSENFELD. We have a fuel research and battery program. I am not an expert on all the economics of hybrid cars but I would like to back up Mr. Greene. My general impression from just having lunch with battery developers is that until you can develop a battery that is fairly light and has 80 or 90 percent efficiency, and we are a hell of a long way from there, that it really does not pay, that it is so much cheaper to go to a higher performance, small, light, well-designed car that will get 60, 65 miles per gallon anyway. You have a terrible time justifying the extra weight and complexity of the hybrid.

A Volkswagen turbo-charged diesel even without the 80 bag feature is they are already making a car that is going to get about 60 miles per gallon on the average freeway, urban.

Mr. YATES. Is this a diesel or light diesel car?

Mr. ROSENFELD. Light diesel. It is a little better than the Rabbit. I think it is called the RV 2000 and they are in production already.

Mr. YATES. Why is Common so far behind Cummins?

Mr. KAMO. We are not far behind because, you see——

Mr. ROSENFELD. They are doing a truck diesel, it is a great thing.

Mr. KAMO. The 52 miles per gallon that the Volkswagen Rabbit gets is 0.41 and we are down to .28 on this 80 turbo compound so, you know, we are way past them but we are not pointed to pasenger cars yet.

Mr. YATES. Why don't you do that? Isn't that a bigger field than the trucks?

Mr. KAMO. We are a truck engine manufacturer and it is very hard for us to get into the small passenger car business where you got GM.

Mr. YATES. Why does Chrysler have to buy its engines from Volkswagen? Why can't they buy their engines from you?

Mr. KAMO. We don't have it yet.

Mr. GREENE. That's the point. His technology is far away.

Mr. KAMO. It is just emerging with us.

Mr. YATES. How far away is he?

Mr. GREENE. Maybe he should answer.

Mr. KAMO. I tell my management that I could see the thing in production by 1988 beginning and then the full adiabatic by 1990, 1991.

Mr. YATES. I would like to see it but I don't know if I can live that long. Speed it up, will you?

Mr. GREENE. There are others that seem to think there are very substantial materials questions that have to be solved before you can do that.

Mr. YATES. Why are the Germans so far ahead of us?

Mr. GREENE. They are not on this particular technology.

Mr. ROSENFELD. They are not.

Mr. YATES. According to what Mr. Rosenfeld has said, they are putting out a car that is going——

Mr. ROSENFELD. It is a conventional diesel engine. It is very well engineered, very well streamlined. It has a fiberglass body and all those technological tricks. The engine is a standard diesel engine

with a little supercharger. They will do better than that if they get a better engine.

Mr. YATES. They will be looking for Cummins, too, then, won't they?

Mr. KAMO. This is competitive. That compound is in Europe and that is by Sofsconia. They have been spending quite a bit of money on that but I think we are still three to five years ahead of them.

Mr. YATES. Okay. Stay that way.

Thank you all. Thank you very much.

Mr. BRADY. Let me make a couple of comments before you close.

Mr. YATES. Yes.

Mr. BRADY. First, just to back up Cummins' comment, by the year 1985 half of our fuel is going to be in trucks, right now it is in the range of 36 or something like that, and that is why we don't have the development. By and large the pressure in the automobile is going to get us that 40 mile fleet average and so on but trucks are another matter because they cost so much per unit and it costs so much to get one of these large trucks up to scale. To get an 18 percent savings, for example, and one of our member companies is trying to do that, it is going to take a sixty to seventy million dollar investment over six to eight years and truck companies don't have that kind of money to put in at a risk, it may not work, and that is one of the reasons.

Mr. YATES. Thank you. Thank you all very much.

The statment of Mr. Charles Keeting, President of American Continental Corporation and the statement from Mr. Michael Grainey, Deputy, Director of the Oregon Department of Energy will be put in the record.]

[The statements follow:]

KAYE, SCHOLER, FIERMAN, HAYS & HANDLER
1575 EYE STREET, N.W.
WASHINGTON, D.C. 20005
(202) 783-1200

KENNETH H. FEINBERG
DAVID G. BICKARD *
ALLAN M. FOX
WILLIAM C. LANE, JR.
THOMAS J. MADDEN
ROBERT C. CASSIDY, JR.
ALAN R. BENNETT
LAWRENCE B. HOVEY

ABRAHAM RIBICOFF *
SPECIAL COUNSEL

NEW YORK OFFICE
425 PARK AVENUE
NEW YORK, N.Y. 10022
(212) 407-8000

FLORIDA OFFICE
126 WORTH AVENUE
PALM BEACH, FLA. 33480
(305) 833-8181

*NOT ADMITTED IN THE DISTRICT OF COLUMBIA

April 10, 1981

The Honorable Sidney R. Yates, Chairman
Interior Subcommittee
House Appropriations Committee
Room B-308
Rayburn House Office Building
Washington, DC 20515

Dear Mr. Chairman:

Please find enclosed fifteen copies of a statement by Mr. Charles Keating, President of American Continental Corporation, on the Administration's proposed rescission of funding for the promulgation of Building Energy Performance Standards.

I would ask that this statement be included in the hearing record of the Subcommittee.

Sincerely,

William C. Lane, Jr.

WILLIAM C. LANE, JR.

WCLjr:gm
Enclosures

cc: Members of the Subcommittee

STATEMENT OF

Mr. Charles Keating

President

American Continental Corporation

Hearings before Interior Subcommittee
of the House Appropriations Committee

Re: FY 81 Budget Rescission for the
Department of Energy

Mr. Chairman:

My name is Charles Keating and I am the President of American Continental Corporation. American Continental constructs and sells single-family homes in Arizona, Colorado, Utah, Washington and Wyoming. We vigorously support efforts to rescind all budgetary authority for the development by the Department of Energy of Building Energy Performance Standards ("BEPS") for new buildings. Promulgation of BEPS is totally unnecessary at this time and will result in unnecessary costs to the American people.

The present general budget rescission proposed by the Administration cuts BEPS funding. This rescission clearly reflects the intention of both Congress and the Administration that neither interim nor final BEPS should be issued. Promulgation of BEPS would be precisely the type of expensive and purposeless federal intrusion into the economy which should be rejected by the Congress and Administrations.

BEPS, as the Subcommittee knows, determine the maximum amount of energy to be used in a new building. Because failure to comply with BEPS can result in the withholding of federal financial assistance, BEPS are effectively a mandatory standard with widespread adverse implications for the construction industry.

Whatever sense promulgation of BEPS may have made five years ago when Congress first expressed its concern about energy conservation in new buildings, their promulgation at this time is unnecessary and wasteful. Five years ago petroleum prices were artifically low and there was little market incentive for conserving substantial energy. This fact has changed with the decontrol of petroleum prices; market forces now constitute sufficient encouragement for those seeking to purchase new homes to look carefully at the energy efficiency of such homes.

The conference report that accompanied the 1976 legislation estimated that BEPS would save twelve quadrillion Btu's of energy in 1990, which could amount to almost forty percent of the total energy projected to be used by the residential and commercial sectors in 1990. However, a recent DOE analysis concluded that only one-half quadrillion Btu's -- four percent of the energy savings originally projected in 1976 -- would be saved in 1990 due to BEPS. We believe the recent decontrol of petroleum prices will result in increased conservation efforts which will further diminish the energy projected to be saved by BEPS. DOE's recent projection highlights the absurdity of continuing to promulgate expensive and intrusive federal regulations where the projected benefit of BEPS has decreased by at least ninety-six percent since BEPS were first legislated.

The administrative difficulties in the BEPS program also serve to highlight the relative wastefulness of federal regulation in this area. Any sensible energy conservation standard for buildings must at least take into account the climate where the building is to be located. To recognize this obvious fact, DOE was forced to include 78 different climate areas for BEPS! However, each individual State is better equipped to determine and analyze the effect of different climatic conditions on energy use and conservation in buildings. Forty-seven States have now adopted energy codes regulating new buildings; no State had such energy codes five years ago. We submit that these codes, which address regional climate conditions and other local factors, will do far more to conserve energy in buildings than a single federal code based on 78 disparate climate areas.

Additionally, at least two professional groups, the American Society of Heating, Refrigerating, and Air-Conditioning Engineers, Inc., and the National Conference of States on Building Codes and Standards, Inc., have developed energy standards and codes for new buildings through a consensus mechanism which incorporates the professional concerns of those directly affected by energy standards. Forty-one State energy codes are based in whole or in part of these professional standards and codes.

These facts lead us to question the need for federal regulation of building energy performance standards; the problem of energy conservation has been addressed by market forces, State energy codes, and consensus standards developed by affected industries. Federal regulation will constitute another burden on the Nation's economy without any compensating benefit.

In addition to the questionable need for federal regulation in this area, we are concerned about the cost of BEPS to the American people. Such costs arise in at least three ways:

1. The inflationary cost of BEPS to the home buyer. By the Department of Energy's own estimates, BEPS will add at least seventy-five cents to one dollar per square foot to the sales price of a new home. According to industry estimates BEPS will more likely add twice this amount, or more than $3,200 to the cost of a new house. Home buyers can scarcely afford this additional and unnecessary cost of buying a new home.

2. The costs of producing and enforcing the BEPS regulations. Thirty-three million dollars has already been funded for BEPS for discal years 1977 through 1980; over ten million more dollars has been budgeted for BEPS through fiscal 1982; and these figures do not even include the cost of personnel at DOE to promulgate the standards. Additionally, DOE reportedly estimates that the initial training of State and local building officials to implement and enforce BEPS could cost an additional forty million dollars.

3. The cost of imposing unnecessary regulations on an already troubled industry. The home building industry currently confronts many critical problems. 1980 housing starts were forty percent below the levels reached in 1977 and 1978, and new home construction declined fifty-two percent from the autumn of 1979 to the spring of 1980. Sales of new one-family homes plummeted twenty- five percent in 1980, and this downward trend may well continue. In the last several years, the housing industry has become the focus of increasingly extensive and complex environmental and zoning regulations. Adding further regulations to the already troubled housing industry will not benefit the American people. Additionally, it is estimated that BEPS will add almost five billion dollars to the construction industry's costs in the first year of implementation alone.

We strongly support the deletion of BEPS funding from the DOE budget. All BEPS contracts entered into by DOE should be cancelled. Additionally, legislation should be introduced to repeal the existing statutory requirement that DOE develop interim and final BEPS. This legislation would negate the requirement that future federal buildings be constructed in accordance with the interim BEPS. Furthermore, legislation should be introduced to rescind the requirements of 12 U.S.C. §1735F-4, which directs the Secretary of Housing and Urban Development to establish energy performance requirements for housing subject to federally insured mortgages, including Federal Housing Administration insured mortgages.

The American people and the building industry cannot afford the cost and expense of an unnecessary federal regulatory program, particularly in such inflationary times. We will support any effort to halt the BEPS program and would be pleased to provide greater detail concerning the facts and opinions expressed in this statement.

FEDERAL/STATE ENERGY CONSERVATION AND RENEWABLE RESOURCE PROGRAMS IN OREGON

Testimony of Michael W. Grainey, Deputy Director
Oregon Department of Energy

On Behalf of the National Governor's Association
Before the Subcommittee on Interior and Related Agencies
of the House Appropriations Committee
United States House of Representatives
Washington, D.C.

April 8, 1981

76-703 0 - 81 - 40 (6b)

TABLE OF CONTENTS

		Page
I.	Introduction	1
II.	Overview and Summary of Oregon Program Energy Savings	2
	A. Oregon Conservation Programs	5
	1. Incentive Programs for Existing Residences	5
	a. Private Utility Weatherization Programs	5
	b. Publicly-Owned Utility and Oil Dealer Programs	6
	c. Weatherization Tax Credit	6
	d. Veterans Weatherization Loans	6
	2. New Construction	6
	3. Utility Rates	7
	4. Low Income Weatherization Assistance	7
	5. Public Information	7
	6. Local Government	7
	7. Commercial/Industrial	8
	8. State Energy Management	8
	9. Institutional Buildings Grants Program	9
	10. Energy Extension Service	9
	a. Citizen Response Program	9
	b. Builder/Contractor Program	9
	c. Master Conserver Program	9
	d. Small Business Program	10
	11. Transportation Conservation	10
	a. Statewide Ridersharing	10
	b. Contingency Plan	10
	c. State-Owned Vehicle Conservation	10
	d. Ramp Metering	11
	e. National Gasoline Targets	11
	f. Educational Efforts	11
	g. Local Government Program	11
	h. Pending State Legislation	11
	B. Renewable Resource Programs	11
	1. Small Scale Energy Loan Program	11
	2. Commercial/Industrial Tax Credit	12
	3. Residential Energy Tax Credit	12
	4. Alternate Energy Loan Program	12
	5. Appropriate Technology Grant Program	12
	6. Geothermal Energy Development	13
	7. Biomass and Waste Heat Utilization	13
	8. Hydro Planning Group	14
	9. Solar Energy	14
	a. Solar Access	14
	b. Solar Monitoring and Demonstration Projects	15
	c. Western SUN	15
	d. Other Solar Activities	16
	10. Institutional Issues	16
III.	The Importance of State Administered Federal Programs Nationwide	17
IV.	Local Governments	22
V.	Conclusion	24

I. INTRODUCTION

The purpose of this testimony is to urge the Committee to continue support for funding for state energy conservation and renewable resource programs. These programs are extremely important to the states and to the federal goal of reducing excess dependence on imported energy sources. At the same time, the payback from these programs is extremely good. Support for these programs can be continued by Congress without sacrificing overall budget reducing goals of Congress and the new Administration. In fact, support for these programs can be continued and the reductions in the overall Federal Energy Budget ceiling that have been proposed by the Administration can still be maintained by making appropriate adjustments in other technologies. This will result in a more balanced reduction across the board. Such a reduction would result in a sharing of the economic burden more fairly by all energy programs and would not seriously jeopardize any one energy resource. In that case, the nation would have the benefit of continuing a number of viable energy options.

In my testimony I would like to provide the Committee with the following information:

1. A detailed discussion of what the Oregon Department of Energy is doing both in the areas of energy conservation and renewable resources as a result of combining federal assistance of the with state initiatives as well.

2. A discussion of why a national energy conservation/renewable resource program funded by the federal government and administered by state governments is important.

3. A discussion of the role of local governments in federal/state energy programs.

II. OVERVIEW AND SUMMARY OF OREGON PROGRAM ENERGY SAVINGS

Energy conservation repeatedly has been recognized by numerous authorities as our cheapest and most readily available energy resource. In recent years in the Pacific Northwest, we have been threatened not only by petroleum shortages, but by drought-induced electricity shortages as well. Energy conservation has become increasingly important as an additional resource. Our region's strong interest and effective actions in energy conservation is reflected in the recently passed Pacific Northwest Electric Planning and Conservation Act, Public Law 96-501.

Energy conservation, as we have pursued it in the Northwest, does not imply discomforting changes in life style. It does not mean significant alterations in energy use patterns or end use products. Conservation is the more efficient use of the energy we have. The potential energy savings from improved energy efficiency in all sectors of the economy is enormous. Nationally, we have seen improved efficiencies in appliance standards, automobile fuel efficiency requirements, and in such electric utility use patterns as street lighting by cities and counties. Similarly, the use of renewable resources in the near term in small decentralized ways, offer near-term promise of immediate payback.

A question frequently asked is how much of this would have happened anyway as a result of rising energy prices? That is not an easy question because the models and methods by which energy planners use to calculate priced-induced energy savings are fairly new. Nevertheless, in Oregon our preliminary figures show that in the electricity alone, energy savings directly attributable to programs initiated by the State of Oregon are likely to result in energy savings equivalent to 500 to 700 average MW by the year 2000. Those savings represent the displacement of the need for two additional large coal-plants costing from $1 to $2 billion dollars each.

Another factor in the riddle of "price-induced conservation" is that econometric models can calculate on energy savings, but cannot tell how you achieve those savings. That is, even though higher prices will result in lower consumption, such reduced consumption may result in adverse economic and social impacts in the absence of well-designed federal and state programs.

There is an important distinction between reduced consumption and energy conservation. Sudden price-induced reduced consumption can result in adverse changes in lifestyle or serious economic or social hardship, whereas well-planned energy conservation programs can reduce consumption by increasing energy efficiency.

Oregon's energy potential from both conservation and renewable energy resources is substantial and we have aggressive programs to capitalize on those opportunities.

Governor Victor Atiyeh has recommended a Special Energy Program to the Oregon Legislature to expand and broaden conservation and renewable resource incentives for Oregonians. This package commits $26 million in of State funds over the next two years. Of this, approximately $5

million would go through the State Energy Department to increase and improve conservation and renewable resource programs and planning and siting capabilities. The $21 million balance would finance incentives for mass transit and other energy-related state programs including land use, air and water quality, fish & wildlife and other state and local government activities that promote energy conservation and renewable resource development.

State funding for the Oregon Department of Energy is evidence of our commitment and our ability to supplement federal funds to develop effective energy programs.

For example, over the past five years, the State of Oregon has provided $11.3 million--75 percent of the financing for all energy-related programs. The Oregon Department of Energy's budget has matured from a budget largely financed by the federal government to one increasingly supported by the state. In the 1975-77 biennium 60 percent of the Department's $1.5 million budget was federally funded. In 1979-81, federal funds comprise 50 percent of the Oregon Department of Energy's $6.6 million budget. The Governor's recommended budget for the department in 1981-83 is $10 million, of which only 39 percent would be federal funds. The Governor's proposed Special Energy Program which includes 30 pieces of legislation on conservation and renewable resources, is to be almost entirely state-funded and, all told, 67 percent of the costs of all energy programs in Oregon over the next two years will be financed by the state. A more detailed breakdown of our current budget is provided in the table on the following page.

While this state-to-federal funding pattern is higher in Oregon than in most other states, it demonstrates the effectiveness of a state/federal working partnership and how a resourceful state uses federal funds in a meaningful way.

We recognize that not all states are in a position today to commit comparable amounts of state funds to their energy budgets. We support the concept of a reasonable matching requirement from the states. The National Governors' Association has suggested a 20 percent state match.

The Oregon Energy Facility Siting Council, which is the body responsible for energy planning in the state of Oregon and the siting of energy facilities, recently concluded a rulemaking proceeding on future electricity demand and a master plan for meeting that demand in the state of Oregon.

Over the next ten years, the Siting Council estimates that conservation (including priced-induced and specific programs) and renewable resources will provide about 40 percent of the load growth projected to be experienced by Oregon electric utilities. This is a total of approximately 800 average MW, of which 500 is conservation and 300 is renewable resources. By the year 1995, the Siting Council estimates that 900 MW can be saved through energy conservation and an additional 450 MW can be obtained through renewable resources, principally, hydroelectric, cogeneration, geothermal electric and wind.

Oregon Department of Energy
Comparison of State and Federal Funding
July 1979 through June, 1983

	July, 1979 - June, 1981			July, 1981 - June, 1983		
	State Funded	Federal Funded	% State Funded	State Funded	Federal Funded	% State Funded
Dept. of Energy Budget						
Administration	790,000	392,000	67	1,110,000	529,000	68
Conservation	377,000	2,355,000	15	2,975,000	1,859,000	62
Renewable Resources	367,000	567,000	38	355,000	709,000	33
Planning	446,000	13,100	97	633,000	2,000	99
Siting & Regulation	939,000	42,000	96	1,125,000	885,000	56
Allocations	248,000	0	100	0	0	--
Total	3,376,000	3,369,000	50	6,198,000	3,984,000	61
Governor's Special Energy Program				1981-1983		
Administration				246,000	25,000	91
Conservation				2,316,000	150,000	94
Renewable Resources				969,000	405,000	71
Planning				563,000		100
Total				4,940,000	580,000	88
Total Oregon Energy Programs 1981-83						
Administration				1,356,000	554,000	71
Conservation				5,291,000	2,009,000	72
Renewable Resources				1,324,000	1,114,000	54
Siting & Regulation				1,125,000	885,000	56
Planning				1,196,000	2,000	99
Total				10,292,000	5,144,000	67

Based on this assessment, the Siting Council estimates that while the state of Oregon will require approximately three additional coal plants between now and 1995, the remainder of its load will be met by conservation and renewable resource programs. In a sense, the state is putting its money where its mouth is because absent a clear showing that these estimates are wrong, an application for additional thermal facilities or other energy facilities which do not meet this pattern established by the Siting Council will not be approved. This is an ambitious program but it is a program which the State believes is well grounded, both in its experience and in the analytical studies it has done of the potential for energy conservation and renewable resource development.

The state has made similiar strides in non-electric energy as well. In 1979, Governor Atiyeh requested the Oregon Legislature to establish an Alternate Energy Development Commission with the state of Oregon to quantify the potential for renewable resources and to establish a plan and a course of action for maximizing those potential resources. The Commission established six task forces to focus on the major renewable resource areas of hydro electric, geothermal, biomass and wood energy, solar and energy conservation, wind energy and alcohol fuels.

The Commission's final report was issued in September 1980 and was the basis for the Governor's Special Energy Program. It provides estimates of achieveable energy savings by the year 2000 and renewable resource development as well as how those means can be achieved. In some cases both federal and state financial assistance are necessary. In other cases no financial assistance is necessary, rather it is a question of removing institutional barriers such as leasing of public lands with adequate environmental safegards.

The Commission concluded that all of Oregon's demand growth theoretically could be met between now and the year 2000 by undertaking measures to promote energy conservation and renewable resources. In fact, the Commission's recommendations, which were the basis for the Governor's Special Energy Program, recommend attempting to meet between 10 and 20 percent of this demand growth in all sectors through conservation and renewable resources with a program that will cost the State nearly $700 million between now and the year 2000.

A more detailed description of the State's existing conservation and renewable resource programs is provided below.

A. Oregon Conservation Programs

1. Incentive Programs for Existing Residences

Oregon homeowners are offered a strong package of conservation incentives. The Common Cause report called Oregon's weatherization loan program one of the best in the nation.

a. Private Utility Weatherization Programs. Investor-owned gas and electric utilities serving Oregon are required to provide to their space heating customers a free home energy analysis and to

arrange for low-interest financing and installation of weatherization. The interest rate for the loans is 6.5 percent. Oregon's investor-owned electric utilities-- Pacific Power and Light, Portland General Electric and C. P. National-- also offer loans on an interest-free, deferred- payment basis. After nearly two and a half years of program operation, 22,141 homeowners had requested no-interest loans and 8306 had requested 6.5 percent loans. A total of 79,459 households requested an energy analysis.

b. Publicly-Owned Utility and Oil Dealer Programs. Publicly-owned utilities and large fuel oil dealers are also required to offer a free home energy analysis to their space heating customers. Customers are provided information on registered contractors and commercial lenders offering 6.5 percent loans. As of December 31, 1980, publicly-owned utilities and oil dealers had conducted more than 24,450 home energy audits. Oregon Department of Energy estimates that lenders processed 1,678 weatherization loans during that period.

c. Weatherization Tax Credit. Oregon taxpayers can claim a personal income tax credit of 25 percent of weatherization costs up to $125 for adding such materials as caulking, weatherstripping, insulation, and storm windows to their primary residence or to a rental occupied as a primary residence. Approximately 115,360 tax credits were claimed for weatherization installed between October 1977 and December 1979.

d Veterans Weatherization Loans. To qualify for a Department of Veterans' Affairs (DVA) loan, a home built before July 1974 must meet minimum weatherization standards. The cost of weatherization can be added to the principal of the DVA loan. Between October 1977 and December 1980 more than 44,500 homes were weatherized under this program.

2. New Construction

Every new commercial and residential building in Oregon is required to meet statewide energy conservation standards. The Oregon residential code has one of the strongest conservation standards in the nation. A recent study estimates that Oregon's 1974 residential code (which has since been substantially upgraded) reduced space heating energy use in natural gas heated homes by 40 percent compared with homes built before the code took effect.

New commercial and institutional buildings constructed in Oregon are not permitted to exceed maximum lighting power standards, and Oregon has a voluntary lighting power standard for existing buildings. With federal funds workshops have been conducted for architects and engineers to assist them in complying with the lighting standards and the structural code conservation standards. Federal funds are also enabling the Oregon State Homebuilders to conduct training sessions on energy-efficient construction techniques that comply with and often exceed code requirements.

Oregon law requires new multiple-unit residences to have separate electric metering for each unit, a requirement that a 1975 Federal Energy Administration study estimated could result in a per unit electricity savings of about 35 percent. In addition, natural gas furnaces, water heaters, clothes dryers, ranges, and pool heaters sold in Oregon are required to have intermittent ignition devices to eliminate pilot light waste.

3. Utility Rates

Oregon is one of the few states whose utility commissions have prohibited declining-block rates and one of three states setting rates for at least one class of customers based on marginal cost.

4. Low-Income Weatherization Assistance

Oregon's share of the federal weatherization program for fiscal year 1981 should be approximately $3 million, enough to weatherize 3,500 homes of low-income families. Moreover, as part of his Special Energy Program, Governor Atiyeh has asked the Oregon legislature to provide an additional $1 million of State funds into the low-income weatherization effort.

5. Public Information

Oregon Department of Energy has developed and distributed a number of instructional public service announcements and quality publications, including "Weatherization and Alternative Energy Incentives for Oregonians", "Weatherization: One Step at a Time", "The Oregon Sunbook", "The Oregon Wind Book", and "The Oregon Wood Heat Handbook". The publications have been widely distributed and well-received.

6. Local Government

Oregon Department of Energy has developed an innovative pilot Local Government Technical Assistance Program for Energy Management. The program is in two parts. The first provides selected cities and counties with help from a team of volunteers skilled in such fields as energy conservation, finance, engineering, architecture and planning. The team spends several days working with staff and officials on the energy issues identified by the local governments and provides written recommendations.

The second part is a series of workshops for local governments on energy conservation project needs they have identified in a statewide survey. Workshop topics will include fleet management, street lighting, solid waste, and developing an energy program.

Oregon Department of Energy has also offered a local grant program for energy conservation and renewable resource projects. The program provides seed money to local governments and non-profit community groups to develop a wide range of innovative energy projects meeting local needs. In fiscal year 1980, nearly $200,000 was provided to local governments in Oregon under this program.

Oregon Department of Energy is involved in Oregon's comprehensive planning process in which cities and counties are required to develop land use plans which conform to Statewide Land Use Planning Goals and Guidelines established by the Land Conservation and Development Commission. Goal 13 specifically requires that local plans include an energy element. Oregon Department of Energy has developed two handbooks to assist local planners in developing their energy elements. Oregon Department of Energy is also in the process of reviewing and commenting on all 287 local plans and providing technical assistance in developing plans and implementing ordinances encouraging energy-efficiency.

7. Commercial/Industrial

Oregon Department of Energy operates a Clearinghouse designed to help commercial and industrial energy users share information about energy conservation efforts. In the first full year of operation, more than 500 representatives from Oregon commercial and industrial firms have attended Clearinghouse conferences and technical workshops to discuss energy economics and energy-efficient business operations. Oregon Department of Energy will conduct the Second Annual Governor's Energy Management Conference in April 1981.

Five regional Boiler Efficiency Workshops instructed commercial/industrial boiler owners in the efficient operation of oil and gas-fired boilers. Workshops on Energy Efficient Lighting Techniques will be conducted this spring. In addition, Oregon Department of Energy is conducting a Grocery Store Demonstration Project which offers energy conservation studies to ten selected grocery stores. Results will be compiled in a manual for use by all Oregon retail grocers. A film on energy-saving operational and maintenance techniques will be developed for grocery owners, managers and employes.

Many Oregon businesses and major trade associations have contributed technical and financial testimony on proposed energy legislation and adminstrative rules for tax incentives and loans for energy conservation and renewable resource projects. The Clearinghouse also sends a quarterly newsletter to Oregon businesses.

8. State Energy Management

Between 1976 and 1979, the State of Oregon reduced building energy use by 13.5 percent. Most of the reduction is the result of no-cost and low-cost energy management techniques. There remains substantial potential for reduced energy consumption in state-owned and managed buildings. Governor Atiyeh has set a goal of 20 percent reduction in 1981 compared with 1976.

State building managers use computerized records to identify buildings that are wasting energy. State building operations staff are trained under the federal Institutional Buildings Grants Program to conduct energy audits of their buildings. Conservation measures identified by the audit and subsequent feasibility studies have been carried out in nine state facilities at a cost to the state General Fund of approximately $750,000.

9. Institutional Buildings Grants Program (IBGP)

The Institutional Buildings Grant Program was established as a result of the National Energy Conservation and Policy Act of 1978. This three-year program provides an opportunity for Oregon schools, hospitals, local governments, and public care institutions to receive cost-sharing grant funds from USDOE to conduct energy audits, technical assistance studies, and, in the case of schools and hospitals, to actually install energy conservation and renewable resource measures. Eligible institutions must match the federal funds dollar for dollar.

Oregon schools, hospitals, public care institutions and units of local government have spent more than $3 million to match federal funds for energy conservation activities in 1980. More than 1,200 energy auditors have been trained by Oregon Department of Energy, 500 on-site energy audits have been done and more than 200 technical assistance studies have been completed. Nearly 80 energy conservation projects have been funded and institutions participating in the program will save nearly $2 million in annual energy costs.

10. Energy Extension Service

Oregon's Energy Extension Service (EES) was begun in March 1980 by Oregon State University Extension Service under contract with Oregon Department of Energy. The federally-funded EES provides personalized energy conservation services to small energy users. Oregon's EES emphasizes conservation help for small businesses and homebuilders, and renewable resource assistance for individuals.

In the first year of operation, Oregon's six energy extension agents have provided energy information, technical assistance, or renewable resource education to more than 8,000 Oregonians. The agents work primarily in Washington, Clackamas, Lane, Coos, Jackson and Deschutes counties. The programs and target audiences include:

a. A Citizen Response Program addresses specific requests or needs for information on conservation and renewable resource opportunities. More than 500 persons in the Portland Area have attended EES-sponsored solar water heating workshops.

b. A Builder/Contractor Program offers energy-efficient design and construction information to residential contractors. This effort has included workshops and presentations to homebuilder, realtor and appraiser organizations.

c. The Master Conserver Program has trained more than 120 volunteers in the Portland and Lane County areas in weatherization and renewable energy resources. Each of these trained volunteers in turn agrees to spend at least 40 hours providing others in their communities with energy information and technical assistance. These 120 volunteers will contribute up to 4800 hours of energy education to the community.

d. A Small Business Program emphasizes energy efficient equipment and business operation. In 1980, the EES target has been restaurants, hotels, and motels. Eight seminars for the food service industry were conducted in conjunction with the Restaurants of Oregon Association and the Oregon Department of Energy Clearinghouse for Commerce & Industry.

In 1981, EES will modify energy information services to small business owners to provide more individualized assistance through on-site counseling.

The Oregon EES program is in the process of conducting an evaluation of the effectiveness of certain programs it has offered in its first year of operation. An evaluation of the 10-state, two-year EES national pilot program showed that EES clients took half again as many conservation actions as each non-client. The evaluation also estimated that the EES program nationwide was responsible for energy savings of 6,400 barrels of oil per day beyond what would have been saved without the program. In terms of cost-effectiveness, the cost of achieving the additional energy savings averaged $8.50 per barrel of oil equivalent, compared to the $30 to $35 cost of a barrel of imported oil. The national evaluation further found that EES leveraged $16 of private conservation investment for every EES dollar expended.

11. Transporation Conservation

a. Statewide Ridesharing. Oregon's statewide ridesharing program is being expanded from its initial survey role to an effective role promoting employer ridesharing throughout the state. The expanded program will offer technical assistance and materials to employers and local governments.

b. Contingency Plan. The Oregon Department of Energy "Middle Distillate and Gasoline Contingency Plan" has recently been updated. The plan was established in 1979 with the help of the Oregon Department of Transportation and a citizens advisory committee.

Phase I of this three phase plan was implemented in response to the petroleum shortage of 1979 and contributed to the absence of the disruptions experienced in many of the larger states.

c. State-Owned Vehicle Conservation. Increased energy awareness in the management of Oregon's state vehicle fleet has resulted in an improvement in energy efficiency. Gasoline consumption in 1980 was 6.4 percent less than 1979 and state vehicle mileage down roughly 4 percent for that same period. Consumption in 1980 was down 11 percent from 1978 in compliance with an Executive Order from the Governor in April 1979 establishing the State Vehicle Mileage Reduction Program.

d. Ramp Metering. Ramp metering (controlled freeway access) has been established along one of the state's busiest freeway corridors with an estimated savings of 20 percent of the energy used on that corridor. An estimated 28 percent reduction in travel time and 30 percent increase in freeway capacity has also been experienced for that corridor.

e. National Gasoline Targets. Oregon met all the voluntary gasoline conservation targets established by U.S. DOE. Oregon achieved this through the state's aggressive public outreach campaign and through the voluntary efforts of informed Oregonians.

f. Educational Efforts. The state is preparing an energy conservation curriculum unit for use in high school driver education classes. The current curriculum does not cover energy conservation awareness or techniques.

g. Local Government Program. A fleet management training program will be targeted at local governments in an effort to reduce consumption. The project will initially train a limited number of persons to instruct fleet operators in energy-efficient vehicle operations.

h. Pending State Legislation. The Governor's Special Energy Package includes two bills which will result in transportation energy savings: Senate Bill 121 which would facilitate special events mass transit, and House Bill 2257 which excludes from Oregon taxable income payment received as part of a nonprofit ridesharing arrangement.

Other important transportation bills before the 1981 Legislature are SB 53 and SB 54, which remove the uncertainties concerning insurance and workmans' compensation matters for vanpools and carpools. SB 71 establishes a transit pool and central purchasing agency for the state's transit districts. SB 286 provides a tax credit for employers who provide public transit passes to their employees. HB 2058 provides money to local transit districts in lieu of state payroll taxes.

B. Renewable Resource Programs

1. Small Scale Energy Loan Program

Oregon Department of Energy began taking applications for this new program last month. The program provides long-term, low-interst loans and complements state tax incentives for energy development from solar, wind, geothermal, hydro, wood wastes, agricultural residues, waste heat and alcohol fuels.

Oregon Department of Energy will issue general obligation bonds to make loans to individuals, small businesses, non-profit cooperatives and corporations and municipalities. The loan program is designed to be self-sustaining. Income from loans and investments of bond

proceeds are to pay all program costs. Loan activity is expected to be from $20 to $40 million per year, with a maximum bond ceiling of over $350 million.

2. Commercial/Industrial Tax Credit

Oregon offers a 35 percent tax credit for business and industry investments in renewable resource energy equipment. Entering its second year the program has received 77 applications representing total investments of more than $23 million. Fifty-nine projects have been pre-certified for the credit for a total of $14 million in credits. Nearly 85 percent of the projects are under $100,000. Twenty-eight of the approved projects use solar energy, six involve waste heat recovery, nine use wind, and the remainder involve hydro, geothermal, alcohol, wood, and cogeneration.

3. Residential Energy Tax Credit Program

This tax credit, adopted in 1977, encourages residential solar, wind, geothermal and hydro resources. The tax credit provides a credit of 25 percent of the amount spent on a renewable resource up to a maximum credit of $1,000. The participation in the tax credit program has increased dramatically. In 1978 the Department certified 209 applications for tax credits. Applications more than doubled in 1979 and increased to over 2,600 in 1980. Higher energy costs, consumer awareness, attractive federal tax credit and aggressive marketing by solar industries all contributed to increase use of the tax credit.

4. Alternate Energy Loan Program

Oregon has a low-interest loan program for renewable resources that was established by the 1979 Legislature, comparable to that that has been made nationally famous for its energy conservation programs. The program offers 6½ precent interest loans to individuals who install or use renewable resources for their residences. Up to $10,000 in loans may be financed under this program per individual. The difference between the 6½ percent and the market value of the loan is subsidized by the State by providing a tax credit on the excise tax of the financial institution offering the loan. The total cost of this program for the 1981-83 biennium is expected to be $1.7 million to the State in lost revenue as a result of the incentives provided under this program.

5. Appropriate Technology Grant Program

The Oregon Department of Energy helped to administer a federal grant program for innovative, small-scale energy projects. The Department reviewed and prioritized the applications that were received and made recommendations to the U.S. Department of Energy for awards. Twenty-six Oregon projects received grants totalling more than $236,000. These included hydroelectric, solar, wind, alcohol, waste recovery, wood combustion and energy-efficient farming programs. Nine additional alcohol production projects were supported by grants from the federal Office of Alcohol Fuels.

6. Geothermal Energy Development

Geothermal energy has significant potential in the state of Oregon. Geothermal energy potential in Oregon is substantial. The State has estimated that geothermal energy is capable of displacing 7 million barrels of oil annually. The heating potential for electric energy is 27 trillion Btus per year and an additional 66 trillion Btus of thermal energy per year, an amount equivalent to six coal plants. The State of Oregon is aggressively attempting to explore and develop these resources. The State of Oregon is developing this through a three-pronged approach.

a. Through the Oregon Department of Energy's outreach and information programs.

b. Through the exploration and drilling undertaken jointly by industry and the State's Department of Geology and Mineral Industries.

c. Technical assistance programs offered by the Oregon Institute of Technology.

As a result of these programs, Klamath Falls, Oregon and Boise, Idaho already make wide spread use of geothermal resources for space heating. The OIT Technical Assistance Programs provides engineering, economic and planning assistance to near-term direct geothermal projects. Organizations that have received this form of assistance include the City of Vale, local schools, community colleges and hospitals, as well as industrial facilities. Heating districts are likely to be established in Vale, Oakridge, Lakeview, La Grande and the Klamath Falls system is likely to be expanded soon.

Finally, the State Geothermal Planning Fund provides environmental review of geothermal development and establishes a planning process that includes resource data compilation, information dissemination, coordination with federal, state and local agencies, analysis and resolution of institutional impediments, and resource planning assitance for local governments.

7. Biomass and Waste Heat Utilization

The Oregon Department of Energy has also been working closely with industry for the use of biomass and wood wastes in the Pacific Northwest. For example, the cogeneration potential in the Northwest is very high. The Department has been working to identify industries which have sufficient waste heat potential available to establish district heating projects or cogeneration projects. At least one Oregon city has undertaken a feasibilty study, federally funded, for a district heating system. The forest products industry's interest in cogeneration is very large. One application, the site of a 38 MW cogeneration facility, is now pending before the State Energy Facility Siting Council. Applications for two additional facilities of 24 and 50 MW are likely to be filed within the next year.

At the same time, the staff of the Department is working with the Public Utility Commission to establish incentives for cogeneration in utility rates and to provide wheeling for cogenerated power in order to provide the financial and institutional incentives needed to make these projects commercially feasible.

8. Hydro Planning Group

The Hydro Planning Group is a program consisting of the Oregon Department of Energy and representatives from eight other State natural resource agencies. The Hydro Planning Group has evaluated all the potential hydroelectric generation sites provided by the U.S. Army Corps of Engineers National Hydro Power Study and has rated these sites as suitable, less suitable or unsuitable for hydroelectric development. Based upon the Hydro Planning Groups recommendations, expedited siting applications will be entertained for those applications deemed suitable. I have enclosed, for the Committee's interest, a copy of the recommendations of the Hydro Planning Group.

9. Solar Energy

a. Solar Access. The Oregon Department of Energy has initiated a major program of technical assistance to encourage cities and counties to adopt ordinances to provide and protect solar access. Solar access can save 5 to 15 percent of a home's space heating energy requirements, reduce conflicts between homeowners as the number of solar installations increases, preserve the opportunity for future retrofits, and encourage private investments in solar energy by assuring access to sunlight.

Two Oregon communities have adopted ordinances recognized to be among the best in the nation. One, prepared as a model ordinance with a grant from the state, enabled by federal funds, deals with the difficult issue of protecting access in existing neighborhoods, and promises to be the model for the second generation of ordinances across the country. The other deals with providing solar access in new developments. The two together form a complementary package dealing with all situations.

In addition to providing other communities in Oregon with these models, the Oregon Department of Energy has helped coordinate a network of planners and local groups involved in solar access to help generate enthusiasm. The Oregon Department of Energy has disseminated widely several publications on solar access and land use and energy planning, including a few prepared and published by HUD. We are also providing technical assistance to local planners on ordinances and to developers on covenants and easements. We provide testimony before planning commissions and city councils which are considering solar access.

The Oregon Department of Energy is organizing a technical workshop on solar access for 300 planners, attorneys and site designers drawing upon regional experts in the field. This workshop will be repeated at the Sixth National Passive Solar Conference to be held in Portland this fall.

At last count, approximately 20 cities in the state are at some stage in the process of adopting solar access ordinances, including the four largest cities--Portland, Salem, Eugene and Springfield--and several others in the Portland metropolitan area.

b. Solar Monitoring and Demonstration Projects. The Oregon Department of Energy is administering several grants to monitor and demonstrate solar projects in Oregon. The Department's contractors are monitoring five passive solar homes and 48 solar domestic hot water systems. These projects will provide useful information on design and installation techniques and system characteristics appropriate to Oregon's climate for consumers, architects, builders, installers and others.

The state is also administering a grant with advisory assistance from several utilities to demonstrate a photovoltaic array on a residence in western Oregon. This project will provide information on the performance of photovoltaics in Oregon and how they interface with Oregon's utility loads. This information will enable the utilities, state agencies and others to move in advance to address technical and institutional problems and plan for the implementation of photovoltaics when they become economically competitive.

These projects are supported in part by federal funds for solar commercialization.

c. Western SUN. One of four Regional Solar Energy Centers funded by the U.S. Department of Energy, the Western Solar Utilization Network (Western SUN) was created by Executive Order of each of the governors of 13 western states in 1978 as an instrumentality of those states.

Western SUN's programs in Oregon are operated by the Oregon Department of Energy. The initial program emphasis is on increasing the availability of local solar expertise. Through training and assistance to community and professional groups, the state is establishing a firm base upon which to develop further use of solar energy.

Oregon's program strength stems from the active, statewide network of volunteers and Oregon's solar professionals. The State Western SUN program has helped organize new volunteer groups to provide solar information and a focus for solar activities in areas in which such organizaton previously has been lacking. Local contacts are being trained in the construction and installation of solar greenhouses and domestic hot water systems. Once trained, these contacts will receive support for the development of similar training programs in their local areas. Solar professionals, builders, designers, engineers, architects and dealers in 13 communities around the state will host community workshops on conservation, solar, wind and biomass.

76-703 0 - 81 - 41 (6b)

d. Other Solar Activities. The Oregon Department of Energy is entering into its computer system data on solar energy systems in Oregon compiled by local groups and tax credit applications. This capability is already proving useful in referencing homes for solar tours and other educational activities by local groups, and in referencing systems as consumer protection problems arise.

The Department is working with the Oregon Department of Commerce to develop codes for solar products and installation. We have been actively involved with the interstate Solar Coordinating Council, and the Department of Commerce with the National Conference of States on Building Codes and Standards.

10. Institutional Issues

Perhaps the greatest barriers to renewable resource development are federal and state regulatory or other institutional barriers, which either exist or require adjustment to accommodate new technilogical options. For example, the Oregon Department of Energy and the State Department of Commerce are reviewing building codes and code enforcement issues which inhibit wind and solar projects. The Department of Energy is also working with the Department of Land Conservation & Development, the State's land planning body, as well as local planning agencies to assure that resource potential, particularly solar and wind, are protected in local land use planning.

The Department, the Division of State Lands and federal land management agencies are exploring ways to expidite wind and geothermal development on State and federal lands. Access to areas of geothermal potential, expecially those controlled by the U.S. Forest Service is of critical importance to effective resource development.

III. THE IMPORTANCE OF STATE ADMINISTERED FEDERAL ENERGY PROGRAMS NATIONWIDE

Oregon has been frequently cited by many studies as having one of the best conservation programs in the country. There has been a unique set of circumstances which has contributed to this. In part it has been the commitment of Oregon's legislature and people to combine their own funds with federal support. In addition, the state and the region has been very energy conscious as a result of two drought years that have occurred within this past decade, one of which coincided with the 1973-74 oil embargo.

Oregonians have been especially concerned about electrical shortages. Oregon's demand for energy, excluding the transportation sector, for example, is projected to grow by 58 percent between now and the year 2000. Over half of that increase will be in the electrical sector alone. Electric resistance heating is widespread in the Pacific Northwest. It is probably the only region in the country that does not rely significantly on oil-fired plants for electric generation because of the hydroelectric systems.

While the programs that work in Oregon may require modification in other regions of the country, all states have in common the need to use all forms of energy efficiently. An energy block grant bill or a bill such as last year's Senate version of the Energy Management Partnership Act would provide the states with sufficient flexibility to meet energy savings and renewable resource goals based upon the problems unique to their own area. For example, the most immediate concern in the Pacific Northwest is the electric sector. Those priorities are different in New England where oil plays a much more dominant role on heating and in electric generation. Similarly, the type of indigenous energy resources will vary from state to state. Oregon has virtually no deposits of coal or oil , limited supplies of natural gas, some uranium and substantial renewable resources. Other states have a different mix of resources. What is important is that the states be given the means to achieve national goals to maximize energy efficiency and reduce dependence on foreign energy sources through energy conservation and renewable resource development.

Similarly, while Oregon provides more state funding proportionately than most states, all states have made a substantial commitment to energy conservation. This effort was begun in part as a result of the federal legislation that was introduced beginning in 1975. For example, in seven states energy funding is provided 50 percent or more through state funds. Another nine states provide 20 to 50 percent state funding. All states have established energy offices to implement federal programs.

At the same time, federal government has instituted, through the states and imposed on the states, numerous requirements and responsibilities for energy conservation. This is logical recognizing that the states ultimately are going to be the ones responsible and best able to cope with disruptions that occur within those states.

For example, when the gasoline shortage and allocation programs were established it was the states that administered those programs. It was the states that received the complaints for lack of service and it was the states that had to deal with the any shortages. Consequently, it is appropriate for the federal government to assist the states in accomplishing these federal goals both financially and by creating the national framework needed for a coherent state response.

However, it is also important to keep in mind that the federal government, through various statutes, has imposed a substantial number of requirements on the states for which funding simply has not been provided. For example, the authorization levels of such programs as the Energy Conservation and Production Act, the Schools and Hospitals Weatherization Program and the Energy Policy Conservation Act have been far less than the authorized levels, in some cases less than 50 percent.

In addition, Congress has imposed new responsibilities on the states without increasing the funding. This has especially happened recently with requirements of the Emergency Energy Conservation Act related to gasoline conservation. For example, the National Governor's Association has estimated that expanded federal requirements under such programs as the Residential Conservation Program, Building Energy Performance Standards, Institutional Building Grants Program, Emergency Temperature Restriction Program and others that are listed in the attached chart would impose requirements totalling $346 million for the states to administer adequately, for which approximately $70 million was actually appropriated.

If the federal government is serious about energy conservation, then it should approach the funding levels in a reasoned and realistic fashion. It should expect the states to do so as well in a growing partnership within which the states can, over time, assume a larger share of the responsibility and funding.

It is also important to keep in mind what energy conservation will accomplish. While the savings from energy conservation through increased efficiency can be substantial, realistically the nation cannot live on energy conservation alone. It needs other energy resources. In recent years we have relied on fossil and nuclear fuels which have become increasingly costly and in some cases uncertain gor long range supply. Given these uncertainties, it is important that renewable resources also be developed in order to provide this nation with as wide a variety of energy resources as possible.

The new Administration's initial proposal recommended substantial reductions in renewable resource commercialization activities, while continuing funding for federal research and development. Federal research and development is important and should be continued. At the same time it is important to make a link between federal research and development that does take place and commercial activities that build upon and take advantage of that federal research.

National Governor's Association
Estimates of Costs for
State Activities Under EMPA, FY 81
(in millions of $)

Conservation		
Core Activities		
EPCA/ECPA Related Activities	$65	
Energy Extenstion Service	30	$ 95
New Responsibilities		
Building Energy Performance Standards (BEPS)	$35	
Residential Conservation Service Program:		
Existing program	30	
Expanded RCS program under S. 932	35	
a. scope (e.g., commercial)	$20	
b. grant program	15	100
Categorical Programs (administration only)		
Institutional Buildings Grant Program	$21	
Low Income Weatherization Program	10	31
Renewable Resource Program		15
Energy Emergency Planning (Energy Emergency Conservation and Gasoline Rationing)		10
State Set-Aside Operations		15
Data Collection, Analysis and Forecasting (including projection of need)		50
Resource Development (including responsibilities under EMB)		30
Total		$356

Product commercialization is often the riskiest part of a process, both in terms of products and in terms of energy forms. Consequently, federal and state assistance may be more critical there than at any other stage. Moreover, some of the renewable resource technologies that are competitive commercially face institutional barriers such as zoning and land use restrictions. These resources are not large-scale centralized technologies but involve individual actions by consumers, commerce and industry to use solar and wind devices, rely upon geothermal heating districts, or to use a number of small diverse sources of generating electricity.

The widescale use of such decentralized resources may involve some rethinking and reorganizing of our electric utility delivery systems but this can be done. Our own utilities in the Pacific Northwest and the west generally have moved quickly to incorporate renewable resources as part of their full mechanism of energy systems.

However, because the widescale use of renewable resources involves, as conservation does, the diverse decision making process by many individuals, accurate information and, at times, incentives are essential and this is where the state can play such a crucial role. For example, the Oregon Department of Energy receives approximately 150 calls every day from the public asking about renewable resource programs and how renewable resources can be used. That is an average of over 3300 calls a month -- more calls by way of comparison and more requests for assistance than we received for our gasoline allocation program during the worst of the gasoline crisis.

This is the type of interest that the Federal Government cannot directly handle and should leave to the states. Nevertheless, it is also the type of issue where the state and federal governments have a role to play in assuring that the marketplace does work properly and that the best information is given to those interested in renewable resources.

It is also important to put the marketplace issue into perspective. New technologies and energy industries have traditionally received substantial incentives from the federal government. This is not necessarily inappropriate given the experimental and high risk nature of energy technologies. However, it is important that we recognize that those incentives exist and impact the operation of the marketplace. For example, the Battelle Northwest Laboratory recently quantified the incentives that energy industries have received over the years. The study concluded that the oil industry (principally through the oil depletion allowance) had received over $120 billion in incentives; the electric industry over $60 billion; nuclear energy, over $20 billion (not including the advantages of the Price Anderson Act); natural gas, $14 billion; coal, $11 billion; and hydrolectric $16 billion. These are cumulative totals and, in some cases, stretch over 100 years, but it puts into perspective what a new energy form has to work against when it is entering the field. If existing energy supplies were assured there would be no need for federal or state involvement in the marketplace. However, given the fact that energy is so important in terms of national policy, the federal and state governments have an obligation to assure that energy supplies are developed and utilized that are beyond foreign control. That means providing sufficient incentives to technologies that appear to be workable, i.e., that can work provided they are given access to the marketplace.

In that context I would like to address for a moment the proposed federal budget for fiscal year 1982 recommended by the new administration. The Administration recommends reduction of approximately 25 percent compared to the budget for fiscal 1982 proposed by President Carter. (The budget proposed by the administration results in an slight increase over fiscal year 1981 proposed by President Carter.) In either event, an examination of the chart that is attached to my testimony indicates that the reductions in fiscal year '82 proposed by the President compared both to Carter fiscal year '81 and Carter fiscal year '82 fall disproportionately in certain areas. For example, defense activities are up 36 percent; strategic petroleum reserve up 15 percent; general sciences up 13 percent; nuclear fision up 19 percent, and magnetic fusion up 16 percent compared to fiscal year '81 levels. However, energy conservation technology programs are being reduced 70 percent; state energy conservation grants are being abolished; schools and hospitals programs are being reduced 41 percent; solar research and development is reduced by 65 percent; geothermal research and development is reduced by 75 percent. More balanced modifications can be made in the budget which do not result in any energy resource being retarded in its utilization, while the overall ceiling for reduced federal spending can still be met. In particular, reductions can be made in the nuclear budget in some of the more remote technologies while still maintaining the current industry and giving the support that is needed to continued commercial nuclear development.

IV. LOCAL GOVERNMENTS

One of the issues that arose in the consideration of the Energy Management Partnership Act last year was the role of local governments in the conservation effort. It is vital that local governments play a meaningful role and receive meaningful support in the federal-state partnership for energy conservation and renewable resource development. The local governments as instrumentalities of the states have an essential role to play in carrying out state policy. At the same time, it must be recognized that cities of varying size have different needs. In the case of larger cities, greater responsibilities and independence should be given provided a minimum degree of coordination with the state energy office is provided. The role of local governments must be more than lip service. They should be made a full partner in the federal-state action. I think that the Senate version of the Energy Management Partnership Act last year was a good approach.

Working from that legislation, representatives of state and local governments met in January of this year and agreed conceptually on an approach whereby federal dollars for local conservation would be channeled through the states along with other state energy funding. The state would be required to pass a certain percentage of those funds through to the local governments, with larger cities and counties receiving entitlements while smaller communities would offer bids for a separate portion of funding. This approach recognizes that the larger cities and counties have unique needs within the context of overall state and federal energy policy and that they should be provided the opportunity to initiate their own solutions to their own needs. At the same time it assures that legitimate state energy policy concerns are satisfied.

Let me speak for a moment about our own situation. In Oregon we have one city in particular that has received national recognition for its energy conservation policies--the city of Portland. Portland contains almost half the state's population. It has its own energy office and has established its own financing mechanism for energy conservation for its residents. The Oregon Department of Energy has worked closely with the City of Portland, providing technical assistance where needed, seeking legislation that would facilitate the city's programs, and in developing statewide programs that best complement rather than excessively duplicate what the city is doing. On the other hand, the city, unlike smaller localities, has had the ability to address the federal government directly, receiving a grant from the Department of Housing and Urban Development for $3 million this fiscal year to establish a subsidized financing program for energy conservation. Under that program, interest rates as low as 8 percent can be charged to residents in the City of Portland who wish to weatherize their homes. This program will expire in November and Governor Atiyeh has introduced legislation to provide state subsidized 6½ percent loans to allow Portland's efforts to continue.

In contrast to Portland where our assistance has been primarily technical or political, our role with other cities has been more direct. For example, I discussed earlier how the state had given out $200,000, nearly one-third of our federal funding in fiscal year 1980, to local

governments for conservation efforts. Programs funded included mass transit planning, development of solar ordinances, recycling efforts, citizen outreach and many others. In particular, the Department has emphasized technical assistance for local energy-related ordinances. Two Oregon communities--Woodburn and Ashland--have recently adopted solar access ordinances and 10 to 20 others are seriously exploring the possibility. We have also held workshops for energy conservation and renewable resource information for the key decision makers of local governments.

In Oregon, I think our relationship with our local governments has worked well, but this has taken time and it has taken effort. We and the cities in Oregon have made that relationship a top priority. Judging from the concern that was raised last year by some local and state governments about various versions of the Energy Management Partnership Act that were proposed, not all states have had the same experience. However, that is something that can best be worked out through the approach suggested by the state and local representatives that I referred to earlier.

Attachment I

USDOE BUDGET

Program	Carter FY 1981 (millions of $)	Carter FY 1982	Reagan FY 1982	% Change in Reagan Budget Compared to Carter FY 1982	% Change in Reagan Budget Compared to Carter FY 1981
Defense Activities	3,667	4,704	5,000	+6	+36
Strategic Petroleum Reserve	3,331	3,898	3,883	-1	+15
General Science (Nuclear)	504	607	568	-6	+13
Nuclear Fission	1,107	1,382	1,315	-4	+19
Magnetic Fusion	394	506	460	-9	+16
Naval Petroleum Reserves (Produces revenue in excess of expenditures)	198	226	226	0	+11
Power Marketing Agencies (Produces revenue in excess of expenditures)	179	380	380	0	+11
*Conservation Technology Development & Research	302	336	88	-73	-70
*State Conservation Grants	70	127	0	-100	-100
*Schools & Hospitals Weatherization	182	200	107	-47	-41
*Low-Income Weatherization	182	200	0	-100	-100
*Solar Reserach & Development	576	584	193	-67	-65
*Geothermal Reserach & Development	199	97	48	-50	-75
Department Administration	284	402	273	-33	-4
Energy Regulation	331	270	110	-59	-66
Energy Information Administration	105	127	80	-32	-19
[1]Coal Research & Development	1,020	1,465	381	-74	-63
Petroleum & Gas R&D, Fossil Commercialization	111	107	60	-45	-63
Solar Conservation Bank	NA	132	0	-100	NA
[1]Synthetic Fuels	NA	1,028	0	-100	NA
Alcohol Fuels	NA	745	0	-100	NA
Hydropower	22	3	0	-100	-100
Electric Energy Storage Systems	40	39	10	-74	-75
Energy Storage Systems	70	60	39	-33	-43
Energy Supporting Research	270	346	294	-15	+9
Multiprogram General Purpose Facilities	25	50	40	-20	+60
Environmental Control	237	280	231	-17	-2
TOTAL:	13,404	18,301	13,786	-25	+3

[1]Programs shifted from USDOE to Synthetic Fuel Corporation. Reagan Administration is also requiring higher private contribution than Carter Administration for programs funded by Synthetic Fuel Corporation.

NA - Not applicable because program not fully operational in FY 1981.

MG:swd/2857B

MONDAY, MAY 4, 1981.

TESTIMONY OF MEMBERS OF CONGRESS

OPENING REMARKS

Mr. YATES. We are indeed fortunate this morning to have the pleasure of the company and the testimony of our old colleague, Congressman Fred Richmond of New York.

Congressman, it is a delight to welcome you to our committee. Your statement may be made a part of the record. The committee has noted with appreciation your outstanding support of the arts for a long time. I am sure your testimony will be very helpful.

You may proceed.

NATIONAL ENDOWMENT FOR THE ARTS/HUMANITIES

WITNESSES

HON. FRED RICHMOND, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

HON. TED WEISS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

HON. THOMAS B. EVANS, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF DELAWARE

TESTIMONY OF MR. RICHMOND

Mr. RICHMOND. Mr. Chairman, you yourself could have written my testimony much better than I.

Mr. YATES. I doubt that. Your eloquence is well known, Congressman.

Mr. RICHMOND. Mr. Chairman, nowhere near your eloquence.

Mr. YATES. Would you like to get on with your testimony?

Mr. RICHMOND. Let me briefly summarize in about two minutes, if I may.

Mr. YATES. Fine.

Mr. RICHMOND. As you know, when we heard about these proposed administration cuts—and many of us still believe they were made by David Stockman without really the enthusiastic support of the President—we decided the only thing to do to help you—because, after all, you are the leader in this——

Mr. YATES. It is our committee.

Mr. RICHMOND. You are the leader in this whole problem of how to keep the arts alive in the United States. We thought we could help you by organizing a congressional arts caucus. We sent out one Dear Colleague letter. On the basis of that letter, we got almost 100 members. We sent out a couple more since then. We are now up to 138 members representing 35 states.

We have an office over in House Annex No. 2 and members are enthusiastically supporting our small staff. We have a weekly newsletter program, and plan to do a fund-raiser in the fall.

We sent out 30,000 letters to arts organizations around the United States telling them if they were interested in commenting on the proposed arts cuts they should get in touch with their congressmen.

In no way do we tell anyone what to do. We are strictly an educational organization. The United States spends 70 cents per capita on the arts, whereas England spends $3.60, Denmark $28.44, and Austria $100 per capita.

As a result, of course, Vienna is one of the great tourist capitals of the world. Why else would anyone go to Vienna except to have the opportunity to see the fabulous museums during the day which are in mint condition and go to a performance of a symphony orchestra or an opera in the evening.

Mr. YATES. Right. The arts offer more than the great spiritual qualities that have contributed to the advancement of mankind over the centuries.

Mr. Stockman indicates that this is among his low priorities. He emphasizes other kinds of economics.

You are from the City of New York. Isn't it true that a great contribution is made by all the arts to the well-being, economic and otherwise, of the City of New York?

Mr. RICHMOND. Mr. Chairman, if it were not for the arts, New York City would have gone bankrupt two or three years ago when Congress so valiantly bailed us out.

It is only the arts that has kept New York City thriving as it has.

Last year the gross national product of the arts, in New York City, came to $5.2 billion. Without that $5.2 billion, we would have no building going on in New York City. We would no longer be the communications and entertainment center of the world.

Mr. YATES. In fact——

Mr. RICHMOND. Why else would someone go to New York? You don't have to go to New York to go to Neiman-Marcus or Bonwit Teller.

Mr. YATES. New York is still the cultural capital of the world.

Mr. RICHMOND. Yes.

Mr. YATES. That is true, in great measure, in the other urban centers in the country. It is true in Chicago. I am sure it is true in Los Angeles, Philadelphia, Boston.

What has been happening, according to testimony before our committee, is that the arts are now going to go into the rural areas as well.

One of the fine witnesses that we had was Mr. Richardson of Nebraska, who told us about what was happening to the small town of Dunning, Nebraska, a town of 800 people as a result of the arts having come in there.

I hope you saw the program on CBS on Sunday morning when Eudora Welty pointed out what the arts were doing for Jackson, Mississippi and other small communities. I was recently in Savannah and Charleston and noted what was happening to the cultural standards; the cultural—I don't want to use the word boom; but the uplifting of the feelings of the communities there as a result of the stimulus given by the arts.

Mr. RICHMOND. Charleston, as you know, has come alive because of the Spoleto Festival and become a world renowned center.

Let's take a little town like Binghamton, New York, a factory town with about 50,000 people. It had a citizen some years ago named Rosina Levine. She served with me on the New York State Council of the Arts for many years. Her great aim was to build an art center in Binghamton.

She built it. It is functioning although she has passed away. We figure for every dollar the National Endowment for the Arts gives

to that arts center, they will put on a series of dances, plays, and symphonies. They will apply for $5,000 to the NEA. They will raise another, $20,000, so they have $25,000 with which to put on their performances. That $25,000 we know for a fact generates $125,000 in gross revenues in the City of Binghamton, which would otherwise be closed down tight at night.

There is no reason anyone would go to Binghamton after six o'clock at night. The arts keep the restaurants alive and the department stores open at night. In every little way that marvelous cultural center has become the heart of Binghamton.

Mr. YATES. Mr. Stockman says in reply to that, yes, that may be true, but why can't the same kind of impetus be given to the arts without federal participation? Won't the private sector, knowing that the federal support has been eliminated, won't the private sector step in and make up the difference?

Mr. RICHMOND. As you know, Mr. Chairman, we have contacted the private center and gotten their answer. American Telephone & Telegraph, Exxon, Mobil, Texaco, Arco: They said absolutely no. They said, "We cannot afford it. We are already giving the most we possibly can give."

"Remember, we have stockholders to worry about. We are doing the best we can. We cannot fill this void that the Federal government is proposing."

Mr. Chairman, just one item with which you are very familiar. The King Tut exhibit. Wouldn't you say that has probably been the most exciting physical exhibit in the United States in recent years?

Mr. YATES. I would say it is one of them, certainly.

Mr. RICHMOND. I was always under the impression that the Egyptian government gave it to us. Only after I had lunch with Joe Duffey sometime ago did I learn that he sent two researchers to Cairo. They looked over the collection and realized there was indeed a great collection.

Joe then proceeded to grant $400,000 to put this exhibit together. So, for $400,000 from the National Endowment for the Humanities, $100 million was raised in gross revenues in the United States.

Mr. YATES. Millions of people saw it. It was the single most magnetic exhibit I believe of any of the exhibits that we have seen over the last few years in attracting people.

Mr. RICHMOND. In your city people started lining up at five o'clock in the morning. Many other cities were able to rebuild their museums. It generated $100 million of revenues and showed people all that incredible beauty they otherwise wouldn't have seen. That is all because of the NEH's $400,000 grant.

This has been repeated over and over again. Maybe not to the extent of the King Tut exhibit, but in many other ways.

Therefore, we urge you, Mr. Chairman, to fund the arts as much as you possibly can. I know we don't have to proselytize with you. You feel the same way we do.

Thank you for allowing me to come before you.

Mr. YATES. Thank you for coming before us. Your testimony will be very helpful.

[The statement of Hon. Fred Richmond follows:]

REPRESENTATIVE FRED RICHMOND
REMARKS BEFORE
THE HOUSE COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON THE INTERIOR
MAY 4, 1981

Mr. Chairman, Members of the Subcommittee, I would like to thank you for this opportunity to testify on an issue that has received considerable attention over the past few months.

As Chairman of the Congressional Arts Caucus, I am pleased to have the opportunity to discuss the Administration's proposed budget cuts as they affect the arts. The Congressional Arts Caucus presently has 138 Members representing 35 different states and five territories. The Members of the Caucus are committed to supporting the arts.

Ever since President Reagan announced his budget cuts for federal arts agencies in February, we have all received mail, phone calls and personal visits from people supporting these cuts and those opposed to these cuts.

Personally, I have weighed these issues carefully hoping that I could understand the President's reasoning and support his proposals.

Unfortunately, the more I understand the theories behind these cuts, the less sense the cuts make and the more convinced I become that the Congress must do everything possible to stop a potential tragedy in America. I am speaking about the cultural well-being of our Country.

Let us forget for a moment that the United States government supports its arts organizations, institutions and individuals at a fraction of the levels committed by other western societies. Our 70¢ per capita spending on the arts is grossly overshadowed by England's $3.60, Canada's $6.40, Denmark's $28.44, and Austria's $100, to name but a few.

Let us forget for a moment that the number of arts organizations throughout the United States has grown more than ten-fold since 1965 when the National Endowment for the Arts became a federal agency.

Let us forget for a moment that more than 50 million Americans are now participating in visual arts programs, theatres, symphonies and other arts activities.

Let us forget for a moment that businesses have increased their support for the arts from $22 million in 1965 to $436 million in 1980 thanks to the incentive of funding fron NEA.

Let us forget for a moment that private philanthropy for the arts has risen from $199 million in 1965 to over $2.1 billion in 1980, again thanks to the incentive of grants from the National Endowment for the Arts.

Let us forget for a moment that despite decreasing enrollments in our institutions of higher education, the number of arts graduates continues to increase.

LET US FORGET FOR A MOMENT THAT THE ARTS ARE NO LONGER CONFINED TO "THEIR OWN FOUR WALLS," BUT ARE NOW ALIVE AND WELL IN OUR SCHOOLS, OUR SHOPPING CENTERS, ON STREET CORNERS, IN PARKS, HOSPITALS, SENIOR CITIZEN CENTERS AND EVEN IN OUR PRISONS.

LET US FORGET FOR A MOMENT THAT THANKS TO THE NATIONAL ENDOWMENT FOR THE ARTS OUR MOST PRESTIGIOUS ARTS ORGANIZATIONS HAVE TOURED TO EVERY STATE BRINGING THE FINEST QUALITY ART, THEATRE, DANCE, SYMPHONIC MUSIC AND OPERA TO AMERICANS WHO WOULD NOT HAVE HAD THE OPPORTUNITY TO PARTICIPATE IN THE ARTS ANY OTHER WAY.

LET US FORGET FOR A MOMENT THAT BECAUSE OF THESE NATIONAL TOURS SMALLER COMMUNITIES HAVE STARTED THEIR OWN ARTS ORGANIZATIONS. OUR NATION NOW HAS THOUSANDS OF ARTS CENTERS, OVER 1800 SYMPHONY ORCHESTRAS AND OVER 35,000 COMMUNITY THEATRES.

LET US FORGET FOR A MOMENT THAT THE ARTS HAVE BEEN THE SINGLE MOST IMPORTANT FACTOR IN URBAN REDEVELOPMENT. AS THEATRES AND MUSEUMS OPEN, PEOPLE ARE ATTRACTED INTO DOWNTOWN LOCATIONS TO VISIT THOSE CENTERS. THIS ACTIVITY MEANS THAT RESTAURANTS, SHOPS AND SUPPORT SERVICES FOR THOSE ARTS ORGANIZATIONS OPEN UP IN THOSE AREAS AS WELL.

LET US FORGET FOR A MOMENT THAT BECAUSE OF THIS INCREASED DOWNTOWN ACTIVITY THE CRIME RATES HAVE DROPPED SUBSTANTIALLY IN THOSE AREAS.

LET US FORGET FOR A MOMENT THAT STATE LEGISLATURES HAVE REALIZED THE IMPORTANCE OF THE ARTS AND HAVE CREATED STATE ARTS AGENCIES IN EVERY STATE OF THE UNION PLUS SIX TERRITORIES.

LET US FORGET FOR A MOMENT THAT THESE STATE LEGISLATURES HAVE FOLLOWED THE FEDERAL GOVERNMENT'S LEAD AND APPROPRIATED MORE AND MORE STATE TAX MONEY TO SUPPORT THE ARTS IN THEIR OWN STATES.

LET US PUT ASIDE ALL THESE OBVIOUS BENEFITS OF FEDERAL FUNDING FOR THE ARTS, AND CONCENTRATE ON THE HARD ECONOMIC FACTS OF INVESTMENT AND RETURN ON INVESTMENT.

I LEARNED THESE FACTS FIRST HAND AS A MEMBER OF THE NEW YORK STATE COUNCIL ON THE ARTS FOR ELEVEN YEARS, WHERE IT WAS MY PRIVILEGE TO CHAIR THE FINANCE COMMITTEE AND ADMINISTER OVER $20 MILLION ANNUALLY TO NEW YORK'S ARTS OGANIZATIONS, INSTITUTIONS AND INDIVIDUALS. DURING THAT ELEVEN YEAR TENURE, I SAW JUST HOW VITAL THE ARTS CAN BE IN THE DAILY LIVES OF MANY OF OUR CITIZENS.

MORE RECENTLY I HAVE SEEN OTHER CONCRETE EXAMPLES. FOR INSTANCE, THE NATIONAL ENDOWMENT FOR THE HUMANITIES SPENT $400,000 BRINGING THE "KING TUT" EXHIBIT TO THIS COUNTRY. THAT INVESTMENT YIELDED OVER $100 MILLION IN PRIVATE SPENDING ASSOCIATED WITH THAT EXHIBIT ALONE. MR. CHAIRMAN, IN YOUR CITY, CHICAGO, YOUR CONSTITUENTS AND OTHERS LIVING THROUGHOUT THE MIDWEST STARTED LINING UP AT 5 A.M. JUST TO SEE THAT SHOW. THE SAME EXCITMENT WAS TRUE IN EVERY CITY IN WHICH "KING TUT" APPEARED.

THE SIMPLE FACT IS THAT FOR EVERY DOLLAR THE GOVERNMENT SPENDS ON THE ARTS, AT LEAST $5 IN PRIVATE CONTRIBUTIONS ARE GENERATED LOCALLY.

76-703 0 - 81 - 42 (6b)

- LAST YEAR THE GROSS NATIONAL PRODUCT FOR THE ARTS IN NEW YORK CITY ALONE WAS $5.2 BILLION.
- THE ARTS ARE THE SECOND LARGEST INDUSTRY IN NEW YORK STATE AND MASSACHUSETTS, THE ONLY STATES WHERE THESE STUDIES HAVE BEEN DONE.
- IN CALIFORNIA, PRESIDENT REAGAN'S HOME STATE, A RECENT STUDY SHOWS THAT FOR EVERY STATE TAX DOLLAR SPENT ON THE ARTS, $2.80 COMES BACK TO THE STATE TREASURY IN THE FORM OF TAXES. IN EFFECT THE STATE SPENDS A DOLLAR AND GETS BACK $2.80.

THE SAME IS OBVIOUSLY TRUE AT THE FEDERAL LEVEL. BY GIVING FEDERAL GRANTS TO ARTS ORGANIZATIONS WE GENERATE AT LEAST $5 LOCALLY, AND BETWEEN THE INCOME TAXES, SALES TAXES AND EXCISE TAXES WE SURELY GET BACK MORE THAN WE SPEND.

MR. CHAIRMAN, THERE MAY BE FEDERAL AGENCIES THAT HAVE OUTLIVED THEIR USEFULNESS OR WASTE MORE MONEY THAN THEY SPEND, BUT THE NATIONAL ENDOWMENT FOR THE ARTS, THE NATIONAL ENDOWMENT FOR THE HUMANITIES, AND THE INSTITUTE FOR MUSEUM SERVICES ARE SURELY NOT AMONG THESE.

PRESIDENT REAGAN HAS STATED THAT CORPORATIONS WILL PICK UP THE DIFFERENCE BETWEEN THE PRESENT FEDERAL APPROPRIATIONS AND HIS FUNDING LEVELS. BUT CORPORATE EXECUTIVES HAVE INFORMED ME TIME AND TIME AGAIN, THAT THEY WILL BE UNABLE TO MEET THE FINANCIAL DEMANDS PLACED UPON THEM BY THE ADMINISTRATION. OUR INDUSTRIES NEED TIME AND MONEY TO RE-TOOL AND REBUILD. THEIR FINANCIAL COMMITMENTS WILL FOCUS ON THEMSELVES FIRST. IT COULD BE SEVERAL YEARS BEFORE CORPORATIONS ARE ABLE TO INCREASE THEIR FINANCIAL COMMITMENT TO CULTURAL ORGANIZATIONS.

THE AMERICAN PEOPLE HAVE PROVEN THAT THEY BELIEVE THE ARTS ARE NECESSARY AND VITAL TO THEIR LIVES. THREE NATIONAL POLLS TELL US THAT OVER 50% OF THE TAXPAYERS WOULD BE WILLING TO PAY AN ADDITIONAL $15 IN FEDERAL TAXES IF THE MONEY WAS SPENT ON THE ARTS.

MY BILL, H.R. 1042 WOULD ALLOW INDIVIDUAL TAXPAYERS TO CONTRIBUTE PART OF THEIR TAX REFUNDS TO THE ARTS IN THEIR OWN COMMUNITIES.

IF THE ARTS ARE SO IMPORTANT TO THE AMERICAN PEOPLE THAT THEY WOULD MAKE SUCH CONTRIBUTIONS, THEN WE, THE REPRESENTATIVES OF THE PEOPLE, SHOULD BE RESPONSIVE AND RESPONSIBLE BY APPROPRIATING MORE MONEY, NOT LESS, TO THOSE FEDERAL AGENCIES THAT PROVIDE THE BASE AND INCENTIVE TO ARTS PROGRAMS THROUGHOUT THE UNITED STATES.

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE, I URGE YOU TO WEIGH THESE ISSUES CAREFULLY AND RECOMMEND INCREASED FUNDING FOR ALL OUR FEDERAL ARTS AGENCIES.

THANK YOU.

TESTIMONY OF MR. WEISS

Mr. YATES. Congressman Weiss, we missed you last night.

Mr. RICHMOND. He was with me.

Mr. WEISS. Thank you, Mr. Chairman.

There is discussion about joining some of the Brooklyn and Manhattan Districts together, so both Mr. Richmond and I have to be present to protect our interests.

Mr. YATES. Your statement may be made part of the record.

Mr. WEISS. Thank you, Mr. Chairman.

Mr. YATES. You are appearing in support of a reasonable appropriation for the National Endowment for the Arts and Humanities, I take it?

Mr. WEISS. A reasonable, hopefully near adequate. I know we can't——

Mr. YATES. We hope it will be adequate.

Mr. WEISS. Let me first of all express my appreciation to you for allowing me the time to testify this morning and to tell you that you have been an inspiration, not just to those of us in Congress who look to your leadership in the field of the arts and humanities, but in the entire arts and humanities community.

Unfortunately for reasons beyond our control of the giants in the Congress who provided leadership in these fields, you are the only remaining one at this point. So you bear an even heavier burden at this point than you had previously.

Again, I don't think I need to belabor you. You have been agonizing through the recommendations—ill-thought-out as they may be—that the Reagan Administration has been submitting to us.

The thing that is so incomprehensible to me is the way that the endowments have been providing seed money, you would have thought would have been a classic program which this Administration would have developed on its own had it not been in existence.

The suggestion, as is made in the original recommendation that Mr. Stockman put forward, that in some way the funding from the Federal government displaces private and corporate or foundation giving, is just absolutely wrong.

The statistics which you have developed that have come before the Subcommittee on Post-Secondary Education that I serve on indicate that in the course of the last 15 years or so corporate giving has gone up from something like $22 million a year to almost a half a billion dollars, and primarily not because the corporations were less generous previously or have become more generous.

It is because I think that they don't really consider themselves as having the expertise. They don't have the confidence to make the kind of judgment that only the peer groups that make those decisions in the endowments have been making. So what they have done is to provide the guidance for the corporations. The same thing is true in the private sector.

The amount of giving has gone up to over $2 billion from a very small—I think $250, $300 million before the endowments came into existence.

As you have indicated, the burgeoning of artistic activity across the country in communities large and small has been nothing short of phenomenal.

I think that we can expect most of that activity now to come to a halt. In my community we have a great many large institutions which do fantastic work in all areas. The large museums, large symphonies, large ballet companies, large centers for the arts, and they will probably survive in any event. They will be hurt, but they will survive.

Mr. YATES. Will the ballet companies survive?

Mr. WEISS. The large ones I think will probably end up making, in one way or the other——

Mr. YATES. I thought ABT almost closed at the time of the strike. Was ABT the largest?

Mr. WEISS. I think the smaller, more experimental organizations which have really received a foundation for existence through the support of the Arts and Humanities endowments are going to be, I think, destroyed.

In the hearings that we held in New York in the groups that have called us to listen to their pleas, repeatedly they told us that, in fact, if the support of the Federal government dries up, they will be back where they were 15, 20 years ago, with no help at all and no chance to survive. The experimental, the community based, the innovative groups, I don't think they are going to, under any circumstances, be able to make up the gap.

This year for the first time the Endowment for the Arts provided funding for the management developmental programs of taking organizations which had reached the level of acceptance where they needed help in putting themselves on a permanent footing.

I was at the ceremonies where those first grants were announced.

I think that those will probably have been not only the first, but probably the last grants if in fact those cuts go through. I don't really understand the premise on which the Reagan Administration is moving. I gather that originally they were going to eliminate the endowments altogether.

Mr. YATES. That was my impression.

Mr. WEISS. Only because of the outcry have they decided to compromise and cut the baby only in half.

I suspect that next year and the year after, when things start tightening up again—as you know, they have to come back with another $50, $60 million in cuts over the next two years.

I think they may be taking the elimination on a step by step kind of basis. I think what happens this year is critical.

Mr. YATES. I think the President's statements have indicated his belief at least that the arts can survive and perhaps flourish through private donations entirely. Perhaps it is unfair, but I think when they draw the conclusion from the statements that the President made at the White House, it was the night of the Ford's Theater celebration—he pointed out the great progress made by the cultural institutions primarily as a result of private contributions.

Mr. WEISS. Yet that totally ignores why the private contribution has been coming. That is because of the existence of small amounts of money that the government has been feeding in.

Mr. YATES. Exactly. Your conclusion is supported by the testimony the committee has received from two vice presidents of two of

the largest corporations in the country, AT&T, Mr. Block the Vice President testified, and Mr. Albrecht of the Equitable Life Insurance Company.

They said Federal support was essential in acting as a point, as it were, for guidance to the business community of where the arts should be supported.

The Federal government, they said, does perform a very useful service through the endowments.

Mr. WEISS. Absolutely so. So I am really here by way of expressing appreciation to you and telling you that whatever you think that I can do and people on my committee can do to be supportive of your efforts, please call on us.

Mr. YATES. Thank you very much.

[The statement of Hon. Ted Weiss follows:]

STATEMENT OF REPRESENTATIVE TED WEISS

Mr. Chairman, I am pleased to have the opportunity to present testimony before you and members of this Subcommittee on the proposed appropriation levels for fiscal year 1982 for the National Endowments for the Arts and Humanities and the Institute of Museum Services. I commend you for holding such extensive hearings on this important issue.

As I am sure all of us here would agree, this is a critical juncture in the history of public support of the arts and humanities. At a time when most people believed that questions of federal funding for cultural activities focused primarily on how much money the Congress would provide, we now find that the fundamental question has become *if* the federal government should be supporting the arts at all. Indeed, it has been frequently reported that Mr. Stockman wanted to eliminate the Arts and Humanities Endowments entirely, and only under significant pressure did he propose to provide minimal funding for these agencies. I know, Mr. Chairman, that you too have expressed concern over whether the Administration is signaling its intention to abolish federal support for the arts and humanities completely over the next few years. What is at issue here today is not just next year's appropriations for the Endowments and IMS, but whether this Congress is willing to make a firm commitment to continuing support for the arts and humanities.

Just last year the Subcommittee on Post-secondary Education, of which I am a member, reauthorized the National Endowments and IMS for five more years. We felt that the importance of the agencies to our country and our quality of life warranted not only their continued existence, but considerably more money with which they could perform their vital mission. Our action was based on testimony given before the Subcommittee by hundreds of individuals and organizations, all attesting to the enormous contributions made by the Endowments and IMS since they were established. In November 1980 the full Congress voted in favor of the five year reauthorization and to authorize $175 million for NEA, $170 million for NEH and $12.9 million for IMS.

Today, the Reagan administration is asking this Subcommittee and the Congress to appropriate to the arts a mere $88 million, to the humanities $85 million and to eliminate all funding for the Institute of Museum Services. In terms of the arts alone, this figure is half the amount proposed by President Carter before leaving office; $70 million less than the Arts Endowment's budget for the current year; and $17 million less than the $100 million that the President has requested for the funding of military bands.

While it is true that many federal programs are being cut under the Administration's economic proposal, few are being slashed as drastically as the arts with the result of such minimal savings. Moreover, this significant policy decision was predicated on rationales that are totally without foundation.

In February and March the Subcommittee on Post-secondary Education held hearings examining the impact of the proposed budget cuts on the artistic community. At these meetings we heard extensive testimony which contradicted the President's justifications for slashing Federal support for the arts, as I know you also heard at the public hearings you held last month. Contrary to the Administration's contention that Endowment funding has led to a reduction of private and corporate support for the arts, we learned that corporate support has risen from $22 million in 1967 to $436 million in 1979, an increase of 1,881 percent. Individual contributions

have also increased dramatically in the 15 years since the establishment of the Endowment, up from $226 million to $2.7 billion.

We heard how funds from the Endowments provide crucial seed money for thousands of projects. The Administration's statement that the Endowment's funding policies have promoted "the notion that the Federal Government should be the financial patron of first resort . . ." is simply not true. On the average, Arts Endowment funding comprises only 7 percent of an art institution's budget. The remainder comes from state and city governments and individual, foundation and corporate supporters, most of whom are encouraged to contribute because of the initial support provided by the Federal Government.

Several of our witnesses, including the Mayor of Richmond, Virginia, spoke of the vital role the arts play in revitalizing inner cities and neighborhoods, in generating revenues for the local economy, in bringing citizens of communities together. Certainly no better evidence of this could be found than in my home of New York City. The arts are one of the city's major industries, generating an estimated $3 to $5 billion for the city's economy. Neighborhoods such as Lincoln Center and Soho have thrived since the influx of artists and arts events.

Most important, I believe, speaker after speaker disspelled any remaining notions that the arts are a low priority for our citizens and are enjoyed only by an elite few. The demand for quality cultural events continued to increase: in the 15 years of the Endowment's existence, opera audiences have doubled, concernt audiences have tripled, and dance audiences have grown more than seven times. As you heard from Lou Harris, his most recent survey on "Americans and the Arts" found that between 65 and 70 percent of those surveyed would be willing to pay higher taxes for federal funding for the arts.

As a result of our findings, the Post-secondary Education Subcommittee recommended to the Budget Committee funding for the Endowments and IMS at the current services level. Although the Budget Committee restored only $57 million to be divided among the two Endowments and two education agencies, it was at least a step in the right direction and certainly an improvement over the action of the Senate Budget Committee, which went alont with the 50 percent cut.

I know, Mr. Chairman, that you and members of your Subcommittee are faced with hard choices as you weigh the arts against parks and humanities against wildlife preserves. However, your leadership in the arts has been an inspiration for all of us in Congress and I know that you will do whatever can be done to restore as much money as possible for the Endowments and IMS. Your refusal to rescind fiscal year 1981 appropriations for the Institute of Museum Services is but one example of your continued dedication to the arts and humanities. I will proudly continue to work with you to support the highest level of funding for the National Endowments for the Arts and Humanities and the Institute of Museum Services.

Thank you.

Mr. WEISS. The hearings you held last month were just phenomenal. I still keep getting reverberations from them.

Mr. YATES. Thank you, Mr. Weiss. I appreciate it.

Mr. WEISS. Thank you so much.

Mr. YATES. Mr. Evans, we are delighted to see you.

We are very pleased to have you today. Your statement and your letter dated May 5, 1981 will be made a part of the record. We appreciate your coming in to give us the valuable benefit of your views.

I know of your closeness to the Administration and I hope that your coming in here to support the arts signals a new attitude on the Administration's part.

Mr. EVANS. I hope so.

Mr. Chairman, I will include a prepared statement for the record.

Mr. YATES. That is already in the record.

Mr. EVANS. I would like to summarize, however, if I may.

Let me say also that it is very difficult for me to be totally objective when it comes to the arts. My wife is an artist, a very good painter, I believe. In fact, coincidentally, she happens to be

having an opening of an art show here in Washington, D.C. tomorrow night.

Mr. YATES. Where?

Mr. EVANS. At the Hull Gallery. There is an invitation. I hope you will be able to come.

Mr. YATES. Is that a watercolor? It is beautiful.

Mr. EVANS. That is an acrylic, but she has great color and energy. I think she does a magnificent job.

Mr. YATES. I hope I can get over to see it.

Mr. EVANS. I hope you can too.

Mr. YATES. Thank you very much. I think it would be a delight living with a painting like that.

Mr. EVANS. It is.

Thank you, Mr. Chairman.

Thank you for not only the opportunity, but thank you for your leadership role that you personally have been playing as an advocate for the arts.

Let me say at the outset in answer to your question about the Administration that I unequivocally support President Reagan's comprehensive economic program to benefit America. The program has four components, as you well know, but there is one absolutely essential component, the need to exercise some degree of fiscal restraint.

We have been on a government joyride goaded by the people who were more than willing to let government do just about everything for them and ultimately to them.

In fact, it was a rather long and gaudy night on the town.

Now, in the cool gray of the morning after, we are faced with the need to count the cost, pay our bills, exercise some degree of fiscal restraint, put our fiscal practices back in line. I think it has been a free-wheeling, excessive spending of the Federal Government that has been the major cause of the inflationary spiral that we are in and the human suffering that inflation does bring to most people.

I don't quarrel with the President's plan to tighten our belts and set an example if it is done in a prudent way. I have been practicing that gospel for some time and I didn't have to be born again to become a believer; I always was.

I also subscribe, Mr. Chairman, to the idea that cuts should be spread around this vast panoply of government agencies and departments. They all shared in that night on the town and I think they should all share equitably in putting our fiscal practices back in line.

I do believe that that is the key, the equitable and fair sharing of the responsibility to reduce the inflationary spiral that exists in America today.

There is a glaring error in what Mr. Stockman and the Office of Management and Budget have done. That is, in designating the National Endowment for the Arts to carry a much larger proportionate share of this responsibility than most other government agencies, bureaus and departments.

Mr. YATES. You don't agree with Mr. Stockman's classification of the arts as one of his programs of low priority?

Mr. EVANS. I think he has classified them as peripheral. I think they are central. As a matter of fact, I think they are an essential

part of the revitalization of the American economy. There is no question that government financial support of the arts can be fruitful in a number of ways. That has been the universal experience of human societies since well before civilization as we know it began.

Most of the great artists of the past whose work has enriched the human scene for centuries, Michelangelo, Leonardo da Vinci, they all worked directly or indirectly for the government, were supported by the government.

The great Greek playwrights, artists who gave us the very idea of tragedy and comedy they were supported by the governments.

Their plays were supported by government funds. Handel worked for the Government of England; Mozart for Austria and Bohemia. Opera came into being because of opera support in Florence. Since the dawn of civilization men and women have taken it for granted that the arts are valuable and indeed a very positive force in our society.

They cannot fully support themselves in the free market.

In general, I believe, most societies have believed that the slack should be taken up by the government of a people for whose benefit the arts ultimately exist.

All this has been taken for granted by all human societies except our own here in the United States.

Mr. YATES. Except for the last 15 years?

Mr. EVANS. Yes, except for the last 15 years, and a little bit before that, although it was of an emergency type nature in the New Deal. There was some emergency funding there. That did help in enriching people's lives, I think.

Mr. YATES. You make a very valid point. One of the outside witnesses who testified before us in support of the humanities was Ossie Davis, who is now a television star. He has had a very illustrious career in all the fields of the arts.

He testified that in the depression he received his patrimony from his father. He received $10. He walked all the way up to Washington, D.C., because he wanted to go to Howard University, and he got to Howard University and said he pulled himself up by his bootstraps, but he said the boots were furnished by the Federal Government through a NYA scholarship. That permitted him to go into the theater.

Mr. EVANS. Mr. Chairman, you might also be interested in the fact that between the emergency aid under the New Deal and the time the National Endowment for the Arts was initiated, there was one other time in our history when we supported the arts from a government standpoint, and that was following the Second World War with the Marshall Plan, the European recovery program.

What did the German government and the German people do first with the money we gave them? They did something about restoring the opera house in Munich. They didn't restore the factories first. They didn't restore office buildings. They raised the spirit of the people. They thought that was an extremely important effort.

Arts were the fastest way to remind those almost destroyed people, self-destroyed, that there had been a brilliant past and that there had been a humanly respectable, indeed, brilliant German

heritage before Hitler of Bach, Beethoven and Brahms and Goethe, and Martin Luther, and Durer. All of them. They were brilliant, contributed immensely to the human race, I think.

So we cannot minimize the role the arts can play in restoring morale and that great American spirit that has given us a nation that has a better standard of living than any other nation since the dawn of time.

Speaking of history, as Lincoln Kirstein put it—I think well—support of art and artists is cultivating "the only memorable residue that marks and outlives our epoch."

The arts are history. They are our history. I think in addition to all of this the historical benefit, the need for placing some focus on that area, the need for enriching people's lives and the human spirit, the arts are important for the here and now. They are important in economic development.

A number of the benefits that are received through a community, a local regional theater, for example, that is supported by the National Endowment for the Arts. They can help the spirit of a community, can create a permanence in that community, and can help with economic development and economic opportunity and permanent jobs for people.

So I think what Mr. Stockman and the Office of Management and Budget are doing is counterproductive to the very objective the President wants to achieve: economic opportunity, greater economic opportunity and hope for all Americans.

Critics argue that cuts in the appropriations for the arts are justified in the likelihood that financial support can come from the private sector.

Well, I think experience has shown something else. You have been privy to the hearings and to chief executive officers from major corporations coming before you and testifying that that is not the case, testifying that the challenged grants, the National Endowment for the Arts are important and they do precipitate and they are an incentive to greater private sector support.

The truth is that corporate and foundation support for the arts has risen enormously since the arrival of the National Endowment for the Arts. The reason that private support has risen I think is due in large measure to the challenge grant approach.

We incorporate the incentive principle, I think quite properly, and very often that money is contributed on the basis of one dollar of public funds for two dollars of private sector support.

Mr. YATES. And three.

Mr. EVANS. And three and perhaps more.

I favor increasing private sector support for the arts. I favor phasing that in, but we can't expect this transfer to take place in five months; there is no way in the world you can do that.

That is why I said at the outset it is a glaring error on the part of Dave Stockman and the Office of Management and Budget, because if we are going to phase in private sector support, you can't do it in five months' time.

My wife, Mary Page, is on the board of the Pennsylvania Ballet, one of the leading ballet companies in this country. Joe McDade, the ranking minority member, is from Scranton. Barbara Weisberg is from Scranton.

I can tell you at the board meeting last week they were very concerned about the future of the Pennsylvania Ballet.

Mr. YATES. Without government support?

Mr. EVANS. Without some degree of government support, without a slower phase-out of government support.

Mr. YATES. Let's hope there is not a slower phase out.

Mr. EVANS. Let me say this: The great exception to the President's budget cutting is in the Department of Defense. There are very solid grounds for this. It hardly matters if our budget is cut or not, balanced or not, if we can't adequately defend ourselves against external threats. But we face an internal threat as well.

I am not talking about a threat of communism or socialism or anything like that, but of domestic lethargy, domestic loss of spirit.

Here again the arts make a unique contribution. If we concentrate our attention as individuals or as a nation solely on the material things of life, we have in the end really nothing.

Mr. YATES. That is a message I hope you carry to the President.

Mr. EVANS. Cervantes, a giant of Spanish literature, Mr. Chairman, once wrote about a long vanished civilization. He summed up its fate as follows: "There were no poets and so the city died."

I would like to propose an alternative to what Mr. Stockman suggested.

Mr. YATES. Do you know who quoted that to me about a month and a half ago? Martha Graham. She said the same thing to me when she told me I should continue to work for the arts. That is a marvelous quote.

Mr. EVANS. I would like to propose an alternative to the precipitous cuts. I think they are counterproductive in achieving the President's objective.

I would like to propose that the National Endowment for the Arts become another exemption from the rule not on anything like the scale of defense, the military establishment, needless to say, and not on a total basis, but I would like to suggest that we cut back if we have to—and I suppose we have to—that we cut back on an installment plan rather than cutting precipitously 50 percent for fiscal year 1982 that begins October 1st.

Let's cut this out over a period of three years, down to 50 percent.

Mr. YATES. Why do that? Why cut down even over a period of three years?

Mr. EVANS. I would prefer not to cut down at all, Mr. Chairman. Let me say if we have to cut——

Mr. YATES. I wanted to lead the witness along the way.

Mr. EVANS. You led the witness. You know where my heart lies. I would like to say if all of us are going to share in this effort to reduce inflation and exercise fiscal restraint, the endowment, I think, those interested in the arts are willing to take their fair share.

Mr. YATES. This is correct. You had already pointed out most eloquently and cogently, I thought, that not only do the arts create a great morale and spiritual boost to the Nation but also economically.

Therefore, why cut them back to that extent?

Mr. EVANS. I couldn't agree with you more, but politics is the art of the possible, Mr. Chairman. We do have another body over there.

Mr. YATES. I suggest we amend that phrase to say that politics is the art of the impossible as well too.

Mr. EVANS. If you try hard enough, perhaps you can produce miracles. I do think this is an alternative; the best alternative, I think, is to maintain that funding.

As an alternative, you could do it over a period of time, because I don't think you would have the magnitude of the damage that way, and I think it would give us an opportunity to phase in private sector support, and surely that is the most prudent way of going.

Mr. YATES. I can't escape an image of the damage that would be hanging over the installment period.

Mr. EVANS. Perhaps it might. It certainly is better than the 50 percent reduction that has been called for by the OMB.

Mr. YATES. Right. If there is a choice of alternatives. I don't think there will be such an alternative. I think we have to recognize the arts in our country and community as being part of the social fabric of the country, not to accept Mr. Stockman's contention that the arts are a low priority item.

Mr. EVANS. They are not peripheral, they are central. I think they are central to the President's comprehensive economic program in providing greater opportunity for people.

I have seen it in my own city, in Wilmington, Delaware, where support for the grand opera house, the center for the performing arts, support for the Delaware Theater Company has helped the economy. It has created a permanence. It has given people greater incentive for economic development. It has raised the spirits of the people.

Mr. YATES. On that note of triumph, we will call an end to your testimony. Thank you very much.

Mr. EVANS. Thank you, Mr. Chairman.

Thank you for your leadership, Mr. Chairman.

[The statement and letter of Hon. Thomas Evans follow:]

Testimony

Before The

House Appropriations

Subcommittee on the Interior and Related Agencies

By

Thomas B. Evans, Jr.

Member of Congress, Delaware

May 4, 1981

Appropriations for the Arts

TESTIMONY IN SUPPORT OF APPROPRIATIONS FOR THE ARTS
Subcommittee on the Interior, Appropriations Committee
May 4, 1981

Mr. Chairman and Members of the Committee: thank you for giving me the opportunity to present my views about the arts and their importance to our country.

At the outset, let me state unequivocally that I support President Reagan's comprehensive economic program. The program has four components and all are important, but one is absolutely essential: the need to exercise some degree of fiscal restraint. We have been on a government joyride goaded on by the people who were more than willing to let government do just about everything for them, and ultimately to them.

It was a long and gaudy night on the town! Now, in the cool gray light of the morning after, we are faced with the need to count the cost, pay our bills, and get our fiscal practices back in line for it has been a free-wheeling, free-spending government that has been the major contributor to inflation and the human suffering that it brings. We do need a radical departure from the past which calls for more than just a few aspirins. Fiscal restraint is an absolute necessity.

I have no quarrel whatsoever with the President's plan to pull in our belts and cut back government expenditures in a reasonably prudent way. I have been preaching that gospel for some time, and I didn't have to be born again to become a believer. I always was!

I also subscribe to the idea that such cuts as are necessary should be spread around the vast panoply of government agencies. They will shared in the night on the town . . . all should share equitably in paying the bill, in assuming responsibility for fiscal restraint.

However, I believe that the Office of Management and Budget has made a glaring error in nominating the National Endowment for the Arts to carry a much larger proportionate share than almost all other government agencies, bureaus or departments. The original arts endowment budget was $175 million, itself a relatively modest sum for almost any operation in this town. Now, however, like the budget for the humanities endowment, that modest budget has been cut almost exactly in half, from $175 to $88 million. Cuts in the Endowment on that scale are much too much, and much too fast. Such precipitous cuts are counter-productive in achieving the President's program to revitalize the American economy and foster hope here at home and renewed respect around the world.

There is no question that government financial support of the arts can be fruitful in many ways, including some not even thought of at the start. That, of course, has been the universal experience of human societies since well before civilization as we know it began. Most of the great artists of the past, whose work has enriched the human scene for centuries, received part or all of their support from their governments. Michaelangelo passed his entire professional life, a very long one, on the payroll of either Florence or Rome, while Leonardo Da Vinci moved from the employ of the government to Milan to that of France. The great Greek playwrights, artists who gave us the very idea of tragedy and comedy, had their plays produced by government funds in theatres built and maintained by government as a vital service in the world's first democracy. Handel worked for the government of England, Mozart for Austria and Bohemia. Opera came into being because of government support in Florence, while all ballet theatre, including our own, is in the permanent debt of the Russian Government -- not just the present Russian Government, which has sent us a brilliant series of dancers and choreographers by making life at home impossible for them -- but the previous Russian Government even more so, because it supported the systems of dance that still prevail in classical ballet, and by derivation, modern dance.

Since the dawn of civilization, men and women have taken it for granted that the arts are of value -- indeed, are a very positive force -- in any society, but that they cannot fully support themselves in a free market, and that, in general, the slack should be taken up by the government of a people for whose benefit the arts ultimately exist. All this has been taken for granted by all human societies, except our own. Only very late in the day did we come to support by government expenditure the rich and rewarding arts of America. Outside of the New Deal's strictly emergency measures, we came to do so only with the establishment of the National Endowment for the Arts, the financing of which is now under consideration by this Subcommittee.

Interestingly enough, there was one other instance of the American Government's support of the arts between the New Deal and the establishment of the Endowment for the Arts. That happened -- and this is not widely known -- during the life-giving years of the Marshall Plan, the European Recovery Program, in West Germany. That country, after the catastrophe of Hitler and his war, was pulling itself together again, with the help and guidance of the United States. A substantial part of the German recovery funding went to the arts, by agreement of both sides. Arts were the fastest way to remind that almost self-destroyed people that there had been a humanly respectable, indeed brilliant, German heritage before Hitler: the Germany of Bach, Beethoven and Brahms, Goethe and Schiller, Martin Luther and Albrecht Durer.

So now we must not minimize the role the arts can play, are playing, in maintaining and restoring American morale and the great American spirit which has made our nation the greatest in the history of the world.

Speaking of history, as Lincoln Kirstein put it, the support of art and artists cultivates "the only memorable residue that marks and outlives our epoch." The arts are truly the history of a country.

We must also look at the benefits which have accrued to communities in every part of the country because of the arts. We should examine the cost-benefit ratio. When we do, we find, invariably, that the arts result in economic development and contribute in a major way to the revitalization of our cities. For every dollar expended on support for the arts, it is conservatively estimated that four or five dollars are returned to the community. Thus, financial assistance to the arts is not a bottomless pit, irrelevant to overall national and community needs. The arts create a permanence in a community which helps initiate economic development and opportunity, leading to the increase of jobs available. This, of course, is a major component of the President's program. We can and we must provide opportunity for all Americans and, believe me, the arts are central, not peripheral, to that effort.

Critics argue that such cuts in appropriation for the arts are justified in the likelihood that financial support for the arts can and will be taken up by private corporations, private foundations, and individuals in the communities concerned. It is suggested that a long-established system of tax exemptions encourages such support from the private sector. All this is true, but it must be borne in mind that since the endowment became a presence on the national arts scene, there has been a vital financial cooperation between federal assistance and grants from other sources, usually private or corporate. The truth is that corporate and foundation support for the arts has risen enormously since the arrival of the federally financed endowment on the scene. The reason that private support has risen is the use by the endowment of the "Challenge Grant," whereby the institution engaged in mounting an exhibition or dance program has been challenged by the endowment to raise matching money from other sources, typically at the rate of two dollars of such money for every dollar of endowment money. The plan to increase private support is not a new idea. It is an idea the endowment itself originated and has been carrying out vigorously throughout the past half-dozen years.

I, too, favor increasing private support of the arts. But, we cannot expect this transfer to occur within the next five months

without serious detriment to the arts programs in our country. I am convinced it would be counterproductive to slash government support so drastically. Such a precipitous drop would damage seriously the structure that has been so painstakingly built up over the years.

As we all know, the great exception to the Administration's budget cutting is the Department of Defense, on the very solid ground that if the nation is not adqquately defended against external threats, it hardly matters if our budget is cut or not, balanced or not.

But we face an internal threat as well. I am not referring to domestic Communism, but to domestic lethargy, domestic loss of spirit. Here again, the arts make a unique contribution. If we concentrate our attention, as individuals or as a nation, solely on the material things of life, we have, in the end, nothing. Miguel De Cervantes, the giant of Spanish literature, once wrote about a long-vanished civilization. He summed up its fate as follows: "There were no poets and so the city died."

I should like to propose the National Endowment for the Arts as another exemption from the rule, not on anything like the scale of the military establishment, needless to say, and not on a total basis. Let us agree, for the sake of discussion, that the endowment can be cut as drastically as has been proposed, and that the slack will probably be taken up by funds from other sources. If this slack is taken up it will assuredly not be done instantly. Corporate donors will not be standing in line at the accounting offices of museums and orchestras, waiting to hear how much is needed. On the contrary, such donors have to be discreetly courted -- that, after all, is a great part of the job description of a trustee of any non-profit institution. And discretion, in fiscal courting as in any other kind, is a matter of making haste slowly.

All that being true, I urge members of the Subcommittee to consider cutting the Endowment's rather small budget on the installment plan. Just as the envisioned emergence of increased corporate and foundation support for the arts will most assuredly be phased in, so should the desired cuts in the Endowment's budgets be phased out. If it is desired by the Administration to cut that budget by 50%, knowing it is down $87 million from the previously approved figure, all right, these are tough times and every agency should do its part. But prudence remains a prime virtue. The trouble with an instant cut of the magnitude proposed is the damage, perhaps irreparable, it would instantly do to the network of professional relationships within arts institutions and among arts institutions all over America. What could happen would be the mirror opposite of the building up of all those arts centers almost 50 years ago. Their decay and dwindling and destruction would begin. And that would be an incalculable loss to this country.

76-703 0 - 81 - 43 (6b)

On the installment plan, on the other hand, that 50% cut -- much larger from a much smaller budget than most of the government agencies are being asked to take -- that 50% could be phased in over three years. If the total is $87 million, in round numbers that comes to $29 million to be cut each of three years. And a cut of that size the Endowment and the American cultural institutions that now depend on the Endowment can handle. Phased in over my suggested three-year period in annual cuts of $29 million, the 50% cut could be contained in its effects on the artistic structure of the nation. Those other sources that the theory of the budget cut count on, could be phased in and pretty much be in place by the time the final cut brought the Endowment's budget down to the level now mandated by Mr. Stockman.

Surely this is the prudent way to go about this reduction. The Endowment for the Arts has been responsible for a wonderful flourishing of American arts and just as important as their availability to the American people. Endowment sponsored programs have enhanced life in many, many American communities, certainly in Chicago, in Tacoma, Scranton and Canton, Portland, Johnstown, in extraordinary ways both Baltimore and San Antonio, as well as the state I happen to be the entire delegation of -- Delaware.

Our country is much richer because of the Endowment. In different but scarcely less important ways, we need the arts almost as much as we need art in the times we live in. The achievements of the Endowment must be preserved, even if we decided that the Endowment's budget must be cut back to help meet the all-too-genuine economic crisis that confronts us.

The step-at-a-time approach will allow for a basic change in the support system for the arts in America, but allow that change to take place without chaotic disruption of what has been an orderly, productive growth.

Mr. Chairman and Members, I thank you again for this opportunity to speak to the question before you. I wish I could leave you as Leontyne Price did, with a song, but I fear if I did so, I'd empty the room. Instaed let me leave you with a single word -- prudence.

NINETY-SEVENTH CONGRESS

WALTER B. JONES, N.C., CHAIRMAN

MARIO BIAGGI, N.Y.
ELDON M. ANDERSON, CALIF.
JOHN B. BREAUX, LA.
BARRY E. STUDDS, MASS.
DAVID B. BOWEN, MISS.
CARROLL HUBBARD, JR., KY.
DON BONKER, WASH.
NORMAN E. D'AMOURS, N.H.
JAMES L. OBERSTAR, MINN.
WILLIAM J. HUGHES, N.J.
BARBARA A. MIKULSKI, MD.
MIKE LOWRY, WASH.
EARL HUTTO, FLA.
BRIAN DONNELLY, MASS.
W. J. (BILLY) TAUZIN, LA.
THOMAS M. FOGLIETTA, PA.
WILLIAM N. PATMAN, TEX.
FOFO I. F. SUNIA, AM. SAMOA
DENNIS M. HERTEL, MICH.
ROY DYSON, MD.

GENE SNYDER, KY.
PAUL N. MC CLOSKEY, JR., CALIF.
EDWIN B. FORSYTHE, N.J.
JOEL PRITCHARD, WASH.
DON YOUNG, ALASKA
NORMAN F. LENT, N.Y.
DAVID F. EMERY, MAINE
THOMAS B. EVANS, JR., DEL.
ROBERT W. DAVIS, MICH.
WILLIAM CARNEY, N.Y.
CHARLES F. DOUGHERTY, PA.
NORMAN D. SHUMWAY, CALIF.
JACK FIELDS, TEX.
CLAUDINE SCHNEIDER, R.I.
E. CLAY SHAW, JR., FLA.

MAJORITY COUNSEL
LAWRENCE J. O'BRIEN, JR.

MINORITY COUNSEL
MICHAEL J. TOOHEY

MAY 7

U.S. House of Representatives
Committee on
Merchant Marine and Fisheries
Room 1334, Longworth House Office Building
Washington, D.C. 20515

May 5, 1981

Honorable Joseph M. McDade
Ranking Minority Member
Subcommittee on Interior
House Appropriations Committee
B-308 Rayburn Building
Washington, D.C. 20515

Dear Joe:

This letter concerns recommendations by the Subcommittee on Fisheries and Wildlife Conservation and the Environment with respect to Fiscal Year 1982 appropriations to the U.S. Fish and Wildlife Service. I will appreciate it if you would make this letter part of the hearing record on Department of the Interior appropriations for FY '82.

As a Member of the Subcommittee on Fisheries and Wildlife Conservation and the Environment, I am keenly interested in our nation's fish and wildlife resources and the agency which is charged with maintaining them. While I am a strong supporter of the President's comprehensive economic program, I think it is appropriate in some instances that we restructure proposed budget reductions so long as aggregate cuts remain the same. Under the able leadership of Chairman John Breaux and Ranking Member Ed Forsythe, the Subcommittee carefully reviewed the Department of the Interior and Fish and Wildlife Service budgets. It is our view that the Service -- to the detriment of important fish and wildlife resources -- is being asked to bear a disproportionate share of the Department's budget reductions. Thus, the Subcommittee has recommended restoring $18 million to the Fish and Wildlife Service budget. Offsetting cuts totaling $18 million have also been recommended: $9.2 million from within the Service and $8.8 million from within the Department.

Congressmen Breaux and Forsythe have furnished you with the details of the Subcommittee recommendations, but I would like to call your attention to several specific items.

First, the Subcommittee recommends restoring $5.2 million to the Habitat Preservation program. I believe it is important to provide sufficient funds so that as we step up our efforts to

secure energy and strategic mineral resources, we also maintain our commitment to protect valuable and irreplaceable fish and wildlife resources. This is not possible if the Service does not have the funds to participate in a fundamental way in developing energy, water, and mineral projects.

Second, in the last Congress we enacted the landmark Alaska National Interest Lands Conservation Act. Section 306 of this legislation specifically called for a thorough ecological study of Alaska's internationally significant barren ground caribou herds, and the Subcommittee recommends restoring $300,000 for this purpose. Given the various energy and mineral developments proposed within the critical habitats of the herds north of the Yukon River, I view completion of this study as a key part of our commitment to Alaska's wilderness and wildlife.

Finally, the protection of endangered species is very much a Federal responsibility, and the program is at a stage where we are finally seeing a significant emphasis on preparing and implementing recovery programs. The Subcommittee recommends restoring $3.5 million to partially offset a proposed reduction of $8 million in the President's budget. To do less may mean the irretrievable loss of more of our priceless wildlife heritage.

In summary, I strongly support the Subcommittee's recommendations concerning the FY '82 budget of the Fish and Wildlife Service and note again that the Subcommittee has acted most responsibly by proposing offsetting reductions to match proposed budget increases.

Thank you for considering my views.

Best personal regards,

Sincerely,

Thomas B. Evans, Jr.
Member of Congress

TBE:ssm

DOE BUDGET

WITNESSES

HON. DON FUQUA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA
HON. HAMILTON FISH, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA
HON. DAN GLICKMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF KANSAS

TESTIMONY OF MR. FUQUA

Mr. YATES. Mr. Fuqua.

Mr. FUQUA. Thank you, Mr. Chairman.

Mr. YATES. We are delighted to have you. We are delighted to have Mr. Fish appearing before us this morning.

Mr. FISH. Thank you, Mr. Chairman.

Mr. YATES. We know of your expertise in the field of energy. We are delighted to receive your recommendations.

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

I want to thank you for your cooperative spirit in which we have always worked together in this subcommittee and the Committee on Science and Technology, on those matters that have been of mutual concern to us.

I would like to ask unanimous consent to insert this statement in the record.

Mr. YATES. It is a part of the record.

Mr. FUQUA. I will try to summarize it. I will speak basically about the actions that have taken place in the Subcommittee on Energy Development and Applications. Mr. Glickman is here and will talk about the transportation aspects, and you will hear from our ranking minority member, Mr. Fish, on the subject.

Mr. YATES. Where is Mr. Glickman? There he is.

Mr. FUQUA. The Subcommittee made substantial increases in the conservation programs and only modest increases in the fossil budget. I think those actions are responsible, but since the full committee has yet to act, what I discuss today is to be viewed as provisional and not the final actions.

In the energy conservation area, the committee authorized programs in industrial conservation, transportation, conservation multi-sector, the energy extension service and the non-regulatory aspects of the buildings and community systems and residential/commercial retrofit.

In fiscal year 1981 the total amount appropriated for these programs, not including proposed rescissions, was $341 million.

The Reagan request for those same programs for 1982 was $86 million, a reduction of about 75 percent.

As you know, the Administration justifies this request on the grounds that market forces alone, in a decontrolled environment, will lead the private sector to assume the functions now performed by DOE's conservation program.

We heard five days of testimony from more than 20 witnesses who said this is simply not the case. I understand that your subcommittee also has heard similar testimony.

Therefore, we didn't accept the Reagan authorization request and instead put together our own conservation R&D budget at a lean but effective level.

We have recommended a sizable cut of 32.5 percent from last year's appropriations. We have a table in our report that outlines how that was arrived at.

We added $197 million to the Reagan request. I would like to outline those adds. In the buildings and community systems program, we added $4 million to enable the department to continue its efforts in education and technical assistance, demonstrating the case studies of the development of the voluntary energy standards for new buildings.

We added $15 million to continue the important work being done by the technology and consumer products program in advanced electric and gas-fired heat pumps, improved oil and gas furnaces, energy efficient appliances and advanced lighting systems.

By the way, I might point out that in examining these programs for consumer products, testimony we received indicated that the Japanese industry is moving in a direction to take over that market if we let it lapse in this country. We could wind up as we did with television sets and radios and automobiles and many other products.

We added $7 million to enable programs in district heating, community energy planning and urban waste to continue at the Carter requested levels. We also added $3 million each to the analysis and technology transfer program and program direction to retain sufficient contract funds and personnel to carry out the needed planning, analysis, and evaluation work.

Our total add in BCS was $29.9 million.

In industrial energy conservation we added $15.5 million for waste energy reduction, $11 million for process efficiency, and $9.5 million for co-generation. These funds will allow the office to fund a sufficient number of high priority projects to keep a meaningful program alive. We added $3.8 million to continue and expand the highly successful energy analysis and diagnostic centers and boiler workshops. We left sufficient funds in program management for 56 headquarters personnel.

Our total add in this area was $42.6 million. We heard a lot of testimony about the value and effectiveness of this program, so we cannot accept the Reagan Administration's proposal to totally terminate it.

In transportation we added $34 million to vehicle propulsion R&D and cut $1 million each from the Reagan request for electric and hybrid vehicles and transportation systems.

Mr. Glickman will add further on that when he testifies.

Finally, we did not accept the Administration proposal to terminate the energy extension service, the appropriate technology small grants program, and the residential/commercial retrofit program.

We believe that the energy extension service is a cost effective and essential information dissemination program that has only begun to prove its worth. We restored it to the fiscal year 1980 level of $25 million.

In appropriate technology we authorized $12 million to continue the program at its fiscal year 1980 and 1981 levels and for the residential/commercial retrofit program we authorized $6 million

for demonstrations of innovative delivery systems for single family, multi-family and small commercial buildings.

We believe that this program can provide valuable assistance to the private sector in the development of a new energy service industry.

In the fossil energy program, the Reagan proposal of $435 million is based almost entirely upon the concept that decontrol of energy prices will lead to increased oil and gas exploration by industry as well as increased investments for technology development to find and utilize all fossil energy sources.

The Committee on Science and Technology has heard testimony, however, that although commercial activity will increase under decontrol, the research and development that needs to be done will not likely be pursued by the private sector as quickly as the Administration projects.

The subcommittee has modified the Administration's request with only a minimal increase of $30 million.

In completing our work, we have set the priorities for this program using potential effectiveness in meeting the nation's energy needs as the guideline. Thus, although different programs require varying amounts of money to accomplish their objectives effectively, we have, by our amendments to the Reagan budget, indicated those areas which should be pursued most actively.

The specific amendments to the Reagan Administration's budget proposal are set out in Table 2. As you can see, the subcommittee accepted many of the funding levels proposed by the Administration, yet modified the proposal where it was felt that a higher priority was necessary or that a greater return for the tax dollar was possible.

In coal liquefaction, we added $24.7 million to reflect the high priority which we give to developing liquid fuels which can directly replace imported oil in the industrial and transportation sectors of the economy.

The H-Coal pilot plant was increased by $10 million in order to complete the ongoing test program, which will provide the scale-up factors necessary for commercial application and will complete testing on three coals.

The funding level reflects, however, our belief that the industrial sponsors should cost-share this remaining work, as it is they who will benefit directly from the project's success.

We also gave a high priority to fuel cells, which is a technology showing great promise as a source of clean, efficient energy and which can be used in many industrial and utility applications. With a modest increase of $5.9 million, development and demonstration work on phosphoric acid systems can continue, leading to early commercial use of these systems.

A third priority is enhanced gas recovery, where $8 million was added. The committee heard much testimony concerning the vast gas reserves in this country which cannot now be recovered with existing technology and economic conditions. As gas is being gradually decontrolled, the technology constraints must also be overcome, and this can only be done by an active R&D program.

A final priority was to continue the International Energy Agency's pressurized fluidized bed program at Grimethorpe, England.

Thus, $11 million was added to combustion systems; however, we offset this increase with decreases of $4.2 million, for a net gain of only $6.8 million.

The subcommittee heard testimony that to cancel the IEA program, as proposed by the Administration, would significantly delay the development of the techology, which is a very promising method for directly burning coal efficiently and cleanly.

As for seeking a greater return for the tax dollar, we restructured the surface coal gasification program and the advanced research and technology development program. Also, we provided funds to complete two oil shale demonstration projects which will meet their objectives in fiscal year 1982. The subcommittee did not believe that all the prior work should be discarded and left incomplete for want of $4.1 million. The technologies being developed by Equity and Geokinetics will provide environmentally acceptable access to oil shale resources that cannot be utilized by existing commercial oil shale processes.

Another step toward greater efficiency was to move the mining R&D program to the Interior Department. Although DOE has done a good job coordinating its program with Interior, we feel that it is necessary to combine all mining R&D in one agency in order to plan and execute this program effectively. The subcommittee reduced mining R&D by $11.8 million since the program has an uncosted balance of about $100 million, which is greater than the appropriations for the last two years combined. It is time to take stock of this effort and require a comprehensive management plan.

In surface coal gasification, we restructed the program, taking $7 million from Administration's catalytic gasification process, which they are developing on their own in Europe, and slightly reducing by $6 million two marginal process development activities and technical support. Increases of $6.8 million were made to complete the BIGAS pilot plant program, which again is a project near completion, but which the Administration wishes to stop short of its objectives. Funding of $6 million was proposed for the peat program to do research on this large but under-utilized energy source. Other small adjustments brought the total increase to only $960,000.

Finally, advanced research and technology development was reduced by $6 million in order to focus the activities toward long term, high risk R&D. This maintains the programs at approximately the fiscal year 1981 levels.

Mr. Chairman, that concludes my remarks.

Mr. YATES. You are getting a very sympathetic hearing from this committee. We appreciate the work you have done, and the condition of the energy situation in this country. But what are we going to do with the budget? Are we going to put this in, even though, as I understand it, the proposed budget which we are going to vote on later this week, wouldn't permit expenditures of that kind, will it?

Mr. FUQUA. Let me explain. We went through this very conscientiously and we are above the Administration's request. As I said earlier, the full committee is meeting this week to mark up. We do have a compromize that doesn't please a lot of people but tries to bring those figures back down within the Reagan numbers, the total numbers.

Now, in our committee, we have both the nuclear as well as the nonnuclear programs. So with those recommendations coming out of our subcommittees, we are attempting to reconcile the Reagan numbers.

Mr. YATES. Will you be able to reconcile within the Reagan limit?

Mr. FUQUA. I think we can. There is a propoosal that I have been working on with the minority and other members of the majority in trying to reconcile those figures. I didn't discuss them today because there is not final action by the committee.

Mr. YATES. That is right.

Mr. FUQUA. And I didn't feel it appropriate to presume something that may not happen. As the Chairman is well aware, sometimes reverses and changes happen.

Mr. YATES. Sure. What will happen to what you conceive to be the energy needs of the country if you do reconcile?

Mr. FUQUA. I think, particularly in the solar and conservation areas, that there is going to be severe damage done. We will lose some programs that I think are essential, that we should keep. Many will be cut back too, to be kept alive intravenously for a few years.

Mr. YATES. Would you recommend the Appropriations Committee go over the amounts that you reconcile to in order to protect the conservation program?

Mr. FUQUA. Yes, I certainly would. As you know——

Mr. YATES. Will we be able to exceed the authorization?

Mr. FUQUA. Well, you would not be able to exceed the authorization.

Mr. YATES. Then we would have to ask for a rule for permission to do it. I hope you don't object if we consider that. I don't know what we are going to do any more than you know what you are going to do. But we feel very strongly that the conservation programs are of invaluable assistance to the country at this time, and that to curtail them, when we are trying to find, to cope with the tremendous drain imports make upon our economy, that conservation is of utmost importance.

Mr. FUQUA. Let me say, we are adding back into conservation about $55 million above the random numbers that were submitted in the Reagan budget request. That is a long way from what is being spent in this fiscal year and what the subcommittee recommended in its markup, recognizing the political realities that we are confronted with.

We have taken from other programs, where they could spare money. We have scaled down projects many feel strongly about not within the jurisdiction of this subcommittee, and we tried to find money we could add in the proposal. We added $105 million back into solar that was deleted from the budget. But we feel it is essential. We have taken a lot of it out of nuclear programs to move over there.

Mr. YATES. Thank you.

Mr. Fish.

TESTIMONY OF MR. FISH

Mr. FISH. Thank you, Mr. Chairman.

I appeared here with the Chairman of our Subcommittee as well as the Chairman——

Mr. YATES. May I say your statement may be made a part of the record?

Mr. FISH. Even though I have to take a slighly different tack, I think the subcommittee knows from my prior appearances of my commitment to renewables in this area.

I did want to take this chance to go on record as thanking my Chairman for his graciousness in the conduct of the subcommittee hearings which brought us to this point. Unfortunately, the authorization bill reported by our subcommittee is in direct conflict with the budget proposals, as you alluded to. The subcommittee authorized in the conservation of fossil areas for fiscal 1982 alone, a total of $629.5 million which is an add-on of $245.4 million over the Administration's budget. I have not been able to support this total.

I might add we are not for a one vote. Were it not for a one vote margin that synthetic fuels demonstration project would have been added to this increase. As it is, we provide no funding for them but it is a very close proposition.

Mr. YATES. Is that good or bad? Should we not be providing funding for synthetic fuels?

Mr. FISH. We argued successfully and the majority of one agreed that the Energy Security Act provided the corporation, which has $20 billion in it, which these various demonstration projects—five of them—can compete with.

Mr. YATES. I was under the impression that the Synthetic Fuels Corporation was to fund projects that were ready for commercialization rather than demonstration, as I remember the law.

Mr. FISH. We looked at the Act very carefully and decided with some reduction of the program, resubmission by these synthetic fuel demonstration projects, that they would qualify for consideration.

Mr. YATES. John Dean contends that the synthetic fuels are supposed to finance only the programs that are ready for commercialization. We are struggling now, may I say—I don't like to take up your time like this, but we are looking to the same objectives. We have just voted out of our committee a supplemental bill which defers rather than rescinds SRC–II. We are keeping both of them alive, because we think the contention of the Administration that Synfuels can fund them is invalid. They are not read for commercialization. To make them compete with all the other applications of Synfuels may not be the goals we find ourselves in.

The whole energy picture is in a turmoil at the present time, and the question of what to fund and whether you are going to have to amend the Synfuels legislation, or to provide for demonstration projects, I think is something all of us have to consider.

Mr. FISH. Our subcommittee considered exactly that point, as to whether an amendment would be necessary. The Administration testified against it.

Mr. YATES. Would you be authorized in your committee to consider an amendment to the Synfuels Corporation Act? Does it come out of your committee?

Mr. FUQUA. That would probably come out of the Commerce Committee.

Mr. YATES. That is what I thought. Sorry, Mr. Fish. I didn't mean to break your train of thought.

Mr. FISH. No sir. You raised a good question. We don't provide any funding for SRC I and II next year. One of the objections to opening up the——to the basic Act is the multiple referrals that would be necessary. Banking as well as our committee. But what I am here for, Mr. Chairman, is not to be so much concerned with what the committee has said, but in the light of the add-ons we made, just to underscore them for the purposes that hopefully will be of value to your subcommittee, though I could not accept the range of figures, the particular programs that we addressed show the priorities we all feel. I think this may be of value to you, sir.

Mr. YATES. Yes, thank you.

Mr. FISH. In the conservation area our subcommittee heard a great deal of testimony indicating that this is clearly the most cost effective and immediate alternative. Overall increase in the Administration proposal in this area was $115.7 million. The largest portion went to buildings and community systems.

Second, industrial energy conservation.

Third, the Energy Extension Service. As I say, I hope these evidences of our position will be helpful to you. Buildings and community systems, potential is extremely high. Over half the energy in buildings if for heating and cooling. In the industrial sector, I think this is an area where fruitful gains can be made in the near future.

Furthermore, I believe in submitting the budget request for fiscal year 1982 the Department of Energy has overlooked the promising energy contribution which could be obtained from this program if its very successful history to date is any indication. Two areas which I am particularly optimistic about are industrial co-generation, waste energy reduction.

Another promising conservation activity, of course, is transportation. It is a natural target. Transportation sector uses more petroleum fuel than all the other sectors combined and accounts for 26 percent. For research done for cars of the future, we cannot expect the market forces to undertake that, because they are cars of the future, and we are dealing with an industry that is losing money because of its competitive position with foreign imports.

Turning to the fossil program, the committee has made several significant changes in the Administration's budget request in this area. But again, as with the conservation actions, the minority could not support the increases to the budget ceilings. In accordance with the Administration's proposal the subcommittee has autorized no additional funds for five synthetic fuel demonstration projects.

Two matters that I would like to add to my prepared testimony. The Chairman shunned the Energy Extension Service, and I am sure you share my feeling that in all these matters to do with conservation, passive and active solar, that the two public needs are funding money and information. I think we have gone so far in the information area as to confuse people. There are so many places one can go now. I don't think we can separate the jurisdiction of this committee, which is conservation, from the solar information centers of the overlapping in passive solar and conservation activities.

In addition to the Energy Extension Service you have the Residential Conservation Service, and under solar you have the regional service, Solar Heating and Cooling Institute. I know there are several others. I think we can get to the point where we have so many that people dispair as to which they actually should go to.

I do feel, and that was supported in my testimony by former Under Secretary Deutsch when he appeared before us. He agreed it should be streamlined to one or two.

Mr. YATES. Did he agree to the testimony again before the committee recently?

Mr. FUQUA. Yes, in this fiscal year authorization.

Mr. YATES. OK.

Mr. FISH. One further factor, even though it is not under the jurisdiction of our committee. As the Chairman properly said, we had over 20 industry witnesses who testified that, no, they did not foresee taking up the slack in RD&D. I think if we are going to, nevertheless, follow the Administration's proposed budget guidelines, that serious consideration should be given to an alternative. I am speaking of a hefty tax credit for RD&D.

Mr. YATES. You better talk to the Rostenkowski committee.

Mr. FISH. Could I put that in our mind, too?

Mr. YATES. How long should we wait for that? We have been waiting eight years for some kind of an energy program. We have the makings of an energy program now, and just to chop off parts of it because we think we can't afford it at this time seems to me not to make sense. But, again, perhaps I am in the minority view on this. I think that there are certain things that are essential to our national interest. Certainly the energy field is. So I believe I may leave you on your recommendations and recommend to my commmittee to put some money in for conservation and other things. I hope you don't take too much umbrage.

Thank you.

Mr. FISH. Thank you.

Mr. FUQUA. Thank you, Mr. Chairman.

[The statement of Hon. Hamilton Fish, Jr. follows:]

STATEMENT OF THE HONORABLE HAMILTON FISH, JR. (R-N.Y.)
RANKING MINORITY MEMBER
SUBCOMMITTEE ON ENERGY DEVELOPMENT & APPLICATIONS
BEFORE THE
INTERIOR APPROPRIATIONS SUBCOMMITTEE OF THE
HOUSE APPROPRIATIONS COMMITTEE
ON
THE DEPARTMENT OF ENERGY APPROPRIATIONS BILL FOR FY 1982
MAY 4, 1981

MR. CHAIRMAN AND DISTINGUISHED MEMBERS OF THE SUBCOMMITTEE, I WELCOME THIS OPPORTUNITY TO TESTIFY TODAY BEFORE YOUR SUBCOMMITTEE ON AN ISSUE WHICH I BELIEVE IS OF UTMOST IMPORTANCE TO THE NATION, AND IS OF GREAT PERSONAL INTEREST TO ME. I AM REFERRING TO THE APPROPRIATIONS FOR THE DEPARTMENT OF ENERGY FOR FISCAL YEAR 1982, AND IN PARTICULAR, OUR RESEARCH AND DEVELOPMENT PROGRAMS IN ENERGY CONSERVATION AND FOSSIL FUELS. THE WISE AND EFFECTIVE MANAGEMENT OF THESE PROGRAMS IS VITAL TO OUR NATION'S EFFORTS TO SOLVE OUR ENERGY PROBLEMS, AND REACH OUR GOAL OF ENERGY INDEPENDENCE.

MR. CHAIRMAN, BUDGETARY PRESSURES HAVE PRESENTED BOTH OF OUR COMMITTEES THIS FISCAL YEAR WITH THEIR HARDEST CHOICES IN THE HISTORY OF OUR ENERGY JURISDICTION. THE RECENT INCREASES IN INFLATION AND OUR OVERALL ECONOMIC SITUATION HAVE MADE US PAINFULLY AWARE OF THE FACT THAT OUR NATION IS IN THE MIDST OF THE MOST SEVERE AND DEEP ECONOMIC TROUBLES SINCE THE DAYS OF THE DEPRESSION.

WHILE RECOGNIZING THAT AN EFFECTIVE ENERGY RESEARCH AND DEVELOPMENT PROGRAM IS IN OUR BEST NATIONAL INTERESTS, I

BELEIVE THAT IT IS OBVIOUS THAT DRASTIC ACTION IS NECESSARY TO GET THE ECONOMY BACK UNDER CONTROL. FOR THIS REASON, MY PARAMOUNT CONCERN IN ENERGY THIS FISCAL YEAR IS TO MEET THE OVERALL FUNDING LEVELS RECOMMENDED BY THE PRESIDENT IN HIS ECONOMIC RECOVERY PROGRAM, AND MY REMARKS TODAY MUST BE VIEWED IN THIS CONTEXT. THIS IS NOT TO SAY THAT I HAVE BEEN UNANIMOUS IN MY SUPPORT FOR THE EXACT DOLLAR AMOUNTS FOR ALL OF THE VARIOUS PROGRAMS WITHIN THE DEPARTMENT OF ENERGY. IN SOME CASES, I BELIEVE THAT FUNDS SHOULD BE REDIRECTED TO FINISH PROGRAMS WHERE FEDERAL INVESTMENT COSTS ARE SUBSTANTIAL AND CONTINUED FUNDING AT MODEST LEVELS WILL ALLOW US TO TAP THE POTENTIAL OF PROMISING ENERGY TECHNOLOGIES THAT ARE NOT READY TO BE PICKED UP BY THE PRIVATE SECTOR. ON THE OTHER HAND, WHERE PROJECTS HAVE BEEN CORRECTLY IDENTIFIED AS READY FOR COMMERCIALIZATION, I BELIEVE THAT WE SHOULD RATIFY THE ADMINISTRATION'S RECOMMENDATION TO LEAVE PURE MARKETPLACE DECISIONS TO THE PRIVATE SECTOR.

AS YOU MAY KNOW, THE SUBCOMMITTEE ON ENERGY DEVELOPMENT AND APPLICATIONS, ON WHICH I HAVE THE PRIVILEGE TO BE THE RANKING MINORITY MEMBER, HAS WORKED MANY LONG HOURS ON THE DEPARTMENT OF ENERGY AUTHORIZATION BILL FOR FY 1982. IN THIS REGARD I WOULD LIKE TO COMMEND OUR CHAIRMAN, THE HONORABLE DON FUQUA OF FLORIDA, FOR HIS FINE LEADERSHIP AND FOR HIS YEOMAN'S EFFORTS THROUGHOUT THE YEAR TO HELP OUR NATION STRUCTURE ITS RESEARCH AND DEVELOPMENT PROGRAMS. EQUALLY PRAISEWORTHY HAVE BEEN THE EFFORTS OF OUR ABLE FULL COMMITTEE

RANKING MINORITY MEMBER, THE HONORABLE LARRY WINN, JR. OF KANSAS.

UNFORTUNATELY, THE AUTHORIZATION BILL REPORTED BY OUR SUBCOMMITTEE DID NOT SATISFY OUR OVERALL BUDGET GOALS. OVERALL, THE SUBCOMMITTEE AUTHORIZED A TOTAL OF $629.5 MILLION IN THE CONSERVATION AND FOSSIL AREAS FOR FISCAL YEAR 1982, AN INCREASE OF $245.4 MILLION OVER THE ADMINISTRATION'S REQUEST. I HAVE NOT BEEN ABLE TO SUPPORT THIS TOTAL SIGNIFICANT ADD. HOWEVER, OUR FULL COMMITTEE MARKUP ON THE DOE BILL IS SCHEDULED TO BEGIN TOMORROW, AND I HOPE THAT WE WILL BE ABLE TO INFORM YOUR SUBCOMMITTEE OF OUR COMMITTEE ACTIONS WHEN OUR MARKUP IS FINISHED.

AT THIS TIME, I WOULD LIKE TO REVIEW THE ACTIONS TAKEN BY THE ENERGY DEVELOPMENT AND APPLICATIONS SUBCOMMITTEE, AND THOSE WHICH I CAN SPECIFICALLY SUPPORT. IN THE CONSERVATION AREA, OUR SUBCOMMITTEE HAS HEARD MUCH TESTIMONY INDICATING THAT CONSERVATION IS THE MOST IMMEDIATE AND COST-EFFECTIVE MEANS TO DEAL WITH OUR CURRENT ENERGY PROBLEMS. OUR OVERALL INCREASE TO THE ADMINISTRATION'S PROPOSAL IN THIS AREA WAS $115.7 MILLION, BRINGING ENERGY CONSERVATION RESEARCH AND DEVELOPMENT PROGRAMS UP TO A FUNDING LEVEL OF $164.5 MILLION. THE LARGEST PORTION OF THIS INCREASE WENT TO THE BUILDINGS AND COMMUNITY SYSTEMS ($29.9 MILLION) AND INDUSTRIAL ENERGY CONSERVATION ($42.6 MILLION) PROGRAMS, AND THE ENERGY EXTENSION SERVICE ($25 MILLION). WHILE I HAVE BEEN A STRONG SUPPORTER OF OUR CONSERVATION PROGRAMS, IT IS CERTAINLY APPARENT THAT WE CANNOT AFFORD THE SIGNIFICANT ADDITIONS THAT WE HAVE MADE HERE, WITHOUT CUTS IN OTHER AREAS, FOR EXAMPLE, NUCLEAR. I WOULD HOPE, HOWEVER, THAT IN MAKING YOUR DECISIONS YOU WOULD CONSIDER SOME OF THE PRIORITIES WHICH HAVE BEEN REFLECTED IN OUR AUTHORIZATION ACTIVITIES TO DATE.

A SIGNIFICANT PORTION OF THIS INCREASE ($15 MILLION) IN THE BUILDINGS AND COMMUNITY SYSTEMS AREA WENT FOR THE TECHNOLOGY AND CONSUMER PROUDCTS PROGRAM. THIS PROMISING PROGRAM WILL HELP US DEVELOP ENERGY-EFFICIENT APPLIANCES AND CONSUMER PRODUCTS AND IS, TO A LARGE EXTENT, HEAVILY HARDWARE ORIENTED.

THE POTENTIAL FOR ENERGY SAVINGS IN THIS AREA IS HIGH. OVER HALF OF THE ENERGY CONSUMED IN BUILDINGS IS FOR HEATING AND COOLING. LIGHTING ACCOUNTS FOR 30 PERCENT OF THE ENERGY USED IN COMMERCIAL BUILDINGS. MAJOR APPLIANCES (INCLUDING HEATING AND COOLING EQUIPMENT AND HOT WATER HEATERS) ACCOUNT FOR 93 PERCENT OF RESIDENTIAL AND 70 PERCENT OF COMMERCIAL BUILDING ENERGY USE. WE CAN MAKE GREAT STRIDES IN REDUCING ENERGY USE HERE, AND THE CONSUMER PRODUCTS PROGRAM CAN PLAY A KEY ROLE IN THIS EFFORT.

IN THE INDUSTRIAL ENERGY AREA, OUR SUBCOMMITTEE INCREASED THIS PROGRAM BY $42.6 MILLION, BRINGING THE TOTAL AUTHORIZATION FOR INDUSTRIAL ENERGY CONSERVATION ACTIVITIES TO $43.6 MILLION. ON NUMEROUS OCCASIONS, THE SCIENCE COMMITTEE HAS HEARD ABOUT THE GREAT POTENTIAL OF REDUCING ENERGY IN THE INDUSTRIAL SECTOR. THIS SECTOR PRESENTLY CONSUMES APPROXIMATELY 36 PERCENT OF OUR NATION'S ENERGY, AND THUS, IT IS AN AREA WHERE FRUITFUL GAINS CAN BE MADE IN THE NEAR FUTURE. I BELIEVE THAT IN SUBMITTING ITS BUDGET REQUEST FOR FISCAL YEAR 1982, THE DEPARTMENT OF ENERGY HAS OVERLOOKED THE PROMISING ENERGY CONTRIBUTION WHICH CAN BE OBTAINED FROM THIS PROGRAM.

TWO AREAS IN WHICH I AM PARTICULARLY OPTIMISTIC ARE INDUSTRIAL COGENERATION AND WASTE ENERGY REDUCTION. OUR SUBCOMMITTEE ADDED $9.5 MILLION FOR INDUSTRIAL COGENERATION AND $15.5 MILLION FOR WASTE ENERGY REDUCTION. THE COGENERATION OF ELECTRICAL POWER AND PROCESS HEAT IN INDUSTRIAL OPERATIONS IS A POWERFUL CONSERVATION GOAL WHICH HAD BEEN GROSSLY UNDERUTILIZED, AND I WOULD ENCOURAGE YOUR SUBCOMMITTEE TO SERIOUSLY CONSIDER THE MERITS OF THIS PROGRAM.

ONE OTHER PROMISING CONSERVATION ACTIVITY IS THE TRANSPORTATION ENERGY PROGRAM. THE AUTOMOBILE INDUSTRY HAS TESTIFIED BEFORE THE SCIENCE COMMITTEE ON NUMEROUS OCCASIONS THAT THEY CANNOT COMPETE BY THEMSELVES WITH THE FOREIGN MANUFACTURERS IN THE COMMERCIAL MARKET, AND AT THE SAME TIME SHOULDER THE THE ENTIRE COST OF DEVELOPING THE AUTOMOBILE OF THE FUTURE. OUR COMMITTEE HAS HEARD OVER AND OVER AGAIN THAT THE INDUSTRY LACKS THE CAPITAL TO PURSUE PROMISING NEW TECHNOLOGY DEVELOPMENTS IN THE GAS TURBINE AND STIRLING ENEGINES.

AS YOU KNOW, MR. CHAIRMAN, GREAT STRIDES CAN BE MADE IN THIS AREA. OUR TRANSPORTATION SECTOR USES MORE PETROLEUM FUEL THAN MOST OF OUR OTHER SECTORS COMBINED, AND ACCOUNTS FOR OVER 26 PERCENT OF ALL THE ENERGY CONSUMED IN THIS COUNTRY. IT WOULD SEEM THAT NEW DEVELOPMENTS IN ENERGY-EFFICIENT AUTOMOBILES ARE IN THE NATIONAL INTEREST. IN RESPONSE TO ITS GREAT PROMISE, THE TRANSPORTATION SUBCOMMITTEE HAS AUTHORIZED AN ADDITIONAL $33 MILLION TO CONTINUE THE PROOF-OF-CONCEPT ENGINE DEVELOPMENT PROGRAM FOR ONE (1) STIRLING AND TWO (2) GAS TURBINE TEAMS, AND IN VEHICLE SYSTEMS AND TRUCK TECHNOLOGY DEVELOPMENT. IN MY OPINION, THIS PROGRAM SHOULD BE ONE OF THE DEPARTMENT'S HIGHEST

76-703 0 - 81 - 44 (6b)

PRIORITIES AND I WOULD HOPE THAT WE COULD AT LEAST PROVIDE SOME ADDITIONAL FUNDING IN THIS AREA TO CONTINUE THE PROOF-OF-CONCEPT WORK.

TURNING TO THE FOSSIL PROGRAM, THE SUBCOMMITTEE HAS MADE SEVERAL SIGNIFICANT CHANGES IN THE ADMINISTRATION'S BUDGET REQUEST FOR THE FOSSIL FUELS AREA. THIS PROGRAM WILL ALLOW THE FEDERAL GOVERNMENT TO SUPPORT LONGER-TERM, HIGH-RISK PROGRAMS WHICH HAVE THE POTENTIAL FOR SIGNIFICANT PAYOFFS. THESE ACTIVITIES WILL FOCUS ON ACQUIRING THE TECHNOLOGY BASE NECESSARY FOR INDUSTRY TO DEVELOP AND DEMONSTRATE HARDWARE WITHOUT THE NEED FOR SUBSTANTIAL FEDERAL GOVERNMENT ASSISTANCE.

IN THIS PROGRAM, THE SUBCOMMITTEE HAS SELECTIVELY INCREASED, DECREASED AND REDIRECTED VARIOUS ELEMENTS IN ORDER TO ACCELERATE THE DOMESTIC PRODUCTION OF COAL, GAS AND OIL AND TO PERMIT THESE RESOURCES TO BE USED IN AN ECONOMICALLY VIABLE AND ENVIRONMENTALLY ACCEPTABLE MANNER. THE NET RESULT OF OUR ACTIONS WAS TO ADD $29.7 MILLION TO THE ADMINISTRATION'S REQUEST, FOR A TOTAL FUNDING LEVEL OF $465 MILLION. THE SUBCOMMITTEE ALSO RECOMMENDED NO FUNDS FOR THE FOSSIL PRODUCTION, DEMONSTRATION AND DISTRIBUTION PROGRAM FOR FISCAL YEAR 1982. AS WITH OUR CONSERVATION ACTIONS, I AM ALSO DISAPPOINTED THAT THE SUBCOMMITTEE HAS CHOSEN TO EXCEED THE ADMINISTRATION'S BUDGET CEILINGS FOR THE FOSSIL PROGRAM.

SOME OF THE FOSSIL AREAS IMPACTED BY OUR ACTIONS INCLUDE COAL MINING AND PREPARATION RESEARCH AND DEVELOPMENT, COAL LIQUEFACTION, SURFACE COAL GASIFICATION, ADVANCED RESEARCH AND TECHNOLOGY DEVELOPMENT, COMBUSTION SYSTEMS, FUEL CELLS, OIL SHALE, AND ENHANCED GAS RECOVERY.

OUR SUBCOMMITTEE HAS SPENT A GREAT DEAL OF TIME IN CONSIDERING THE ADMINISTRATION'S REQUEST IN THE FOSSIL AREA. ALONG WITH OTHER MEMBERS OF THE SCIENCE COMMITTEE, I HAVE STRONGLY PUSHED FOR AN AGRESSIVE SYNTHETIC FUELS PROGRAM THAT CAN HELP OUR NATION REDUCE ITS RELIANCE ON FOREIGN OIL SUPPLIES. IN ACCORDANCE WITH THE ADMINISTRATION'S PROPOSAL, THE SUBCOMMITTEE HOWEVER HAS AUTHORIZED NO ADDITIONAL FUNDS FOR THE FIVE SYNTHETIC FUELS DEMONSTRATION PROJECTS. THIS ACTION WAS BASED ON OUR BELIEF THAT THE DEMONSTRATION AND COMMERCIALIZATION OF FOSSIL TECHNOLOGY SHOULD BE THE RESPONSIBILITY OF INDUSTRY WITH THE ASSISTANCE OF THE SYNTHETIC FUELS CORPORATION. FROM WHAT I UNDERSTAND, I BELIEVE THAT THE ENERGY SECURITY ACT WILL ALLOW THE CORPORATION TO FUND RESTRUCTURED PROPOSALS SUBMITTED BY THE PARTICIPANTS IN THE SYNTHETIC FUELS DEMONSTRATION PROGRAM. WE HOPE THAT THE CORPORATION WILL PROCEED AS EXPEDITIOUSLY AS POSSIBLE IN MOVING FORWARD WITH OUR SYNFUELS PROGRAM. ADDITIONAL FUNDING WAS AUTHORIZED THOUGH FOR THE OPERATION OF THE H-COAL PILOT PROJECT IN CATLETTSBURG, KENTUCKY ($30 MILLION), AND THE EXXON DONOR SOLVENT PILOT PLANT ($30 MILLION) IN BAYTOWN, TEXAS.

MR. CHAIRMAN, I COULD GO ON DESCRIBING EACH OF THE MYRAID CHANGES WE HAVE MADE IN THE ADMINISTRATION'S REQUEST IN ENERGY R&D, BUT I THINK I HAVE COVERED SEVERAL OF THE MOST SIGNIFICANT ONES. MANY OF THESE ITEMS WHICH I HAVE MENTIONED REPRESENT VITAL AREAS OF CONCERN FOR OUR NATIONAL ENERGY FUTURE. LET ME CONCLUDE BY SAYING THAT OUR SUBCOMMITTEE HAS ATTEMPTED TO IDENTIFY THE MOST PROMISING FOSSIL FUEL AND CONSERVATION TECHNOLOGIES, AND HAS SELECTIVELY INCREASED OR DECREASED THEIR FUNDING AFTER CAEFUL SCRUTINY. OUR FUNDING ACTIONS REPRESENT THE PRIORITIES WHICH OUR SUBCOMMITTEE BELIEVES ARE ESSENTIAL IN HELPING OUR NATION MEET ITS FUTURE ENERGY NEEDS. I URGE YOUR SUBCOMMITTEE TO CONSIDER THESE PRIORITIES. WE ALL REALIZE THAT OUR NATION'S ENERGY R&D PROGRAMS MUST BE CAREFULLY BALANCED AGAINST OUR NEED FOR A SUCCESSFUL ECONOMIC RECOVERY.

MR. CHAIRMAN, THANK YOU FOR THE OPPORTUNITY TO ADDRESS THIS SUBCOMMITTEE. I WILL BE PLEASED TO ANSWER ANY QUESTIONS YOU OR THE OTHER MEMBERS MAY HAVE.

Mr. YATES. Mr. Glickman.

Mr. GLICKMAN. Thank you, Mr. Chairman.

Mr. YATES. Let me first say your statement may be made part of the record.

TESTIMONY OF MR. GLICKMAN

Mr. GLICKMAN. I am on the subcommittee of Mr. Fuqua's full committee. That is part of the Department's energy conservation budget. We have passed two basic bills, one having to do with electric vehicles, one the Automotive Propulsion Act. They were long established programs to try to get basic research, systems technology research and new automobile engines and technology to help our automobile industry compete with the Japanese.

Basically, the Administration has recommended that the present proof of concept approach to the automobile engines be scrapped. All we could do is what is called generic R&D. I will briefly reiterate what we have. We have two engine programs being funded within the department. One has to do with the Stirling engine. The other is the gas turbine. Recently, several of us went up to the Lewis Research Center in Cleveland where we talked with a representative of the Ford Motor Company. They presently have two contracts out on the turbine. One is basically with the Ford group, one with the GM group.

There is one contract out on the Stirling engine. Both are in what is called the proof of concept phase. I am convinced the automobile companies really wouldn't be going ahead with this research without the government work. What the Administration basically has proposed is that we eliminate it.

Mr. YATES. That is a very important point. Yes, the Administration says let the automobile companies do their own research.

Mr. GLICKMAN. That is correct.

Basically what we have been told is that while they are doing a lot of their own research, that this is the kind of basic research that they would not be doing because it is all very, very high risk. In any event, we added funds for this. The Administration cut completely the programs except for what is called generic R&D.

Mr. YATES. Whatever that means.

Mr. GLICKMAN. Well, you know, a little work on composites here and a little on materials there. Nothing to do with creation of an engine to see if it works. We added $33 million back into their budget, which is still much less than the Carter recommendation. This permits continuation of two gas turbines and one Stirling proof of concept at a reduced level.

One reason for funding both turbines is that until the engine is tested there wouldn't be a basis for picking only one. I have reason to believe talking with both the GM and Ford groups that they themselves understand that they are still not ready for the decision of picking the one engine.

Now, I am coming to you while I am not sure—as Mr. Fuqua was indicating, what we are going to do with these programs within the Science Committee. But we have two productive systems technology, proof of concept approaches of these kinds of engines, Stirling and gas turbine, which could result in 40 percent improvement in fuel economy in the next several years. That is something that is far more beneficial to the automobile companies than putting mandatory import quotas on Japanese cars. This is something that

really might have some merit to it. I present it to you because I hope, at a minimum, we fund at least one of those, preferably two.

Mr. YATES. Speaking for myself, I think we are inclined to go along with our recommendation.

Mr. GLICKMAN. The other thing we did was in the electric program. Here the Administration recommended deep cuts. We felt essentially the goals of the program could be met even with the cuts.

Mr. YATES. Insofar as the purchase of the number of vehicles.

Mr. GLICKMAN. That is correct. We felt basically it is nice to demonstrate vehicles, the development of electric vehicles in this country would be more helped by research into batteries and a variety of issues other than demonstration programs. We went ahead with Mr. Reagan's proposals there. It is in the systems technology proof of concept on the gas turbine engines where we have some real problems.

I might add there is another issue that comes within the subcommittee's jurisdiction that I thought I would mention. Last year we enacted a bill called the Methane Transportation Research and Development Act. Basically, fueled cars on natural gas, where it came from animal waste, natural gas in the ground, coal seams or urban sludge, the waste from it. Now, we are running some cars on natural gas in this country.

The purpose of the bill was to deal with the scientific, environmental and safety road blocks, and transportation of gas—how you get it from one place to the other—in order to get the private sector interested and begin lending money and developing the technology. Many countries, by the way, are doing much in the area of fueling cars on natural gas. Very low emissions, great potential.

The Administration has decided not to fund demonstration projects within this bill. Basically, this bill is modeled after the Electric Vehicle Act. We agree with that, but their budget calls for no funding whatsoever on basic R&D, even on what I call the generic research R&D, on whether natural gas is safe, how do you transmit it, all that kind of thing. I think we need some basic funds.

Mr. YATES. How much money do you think we ought to put in?

Mr. GLICKMAN. I don't know. Under a million dollars. I am talking about maybe six figures just to indicate——

Mr. YATES. Congressional interest.

Mr. GLICKMAN. Yes, and the fact there is no question running vehicles on natural gas is feasible and can be dramatic in terms—particularly for fleet use—of petroleum consumption.

Mr. YATES. More optimistic, are you, in this field than the electrical field?

Mr. GLICKMAN. I wouldn't say that, I won't make a judgment on which is better.

Mr. YATES. How are we doing with the batteries?

Mr. GLICKMAN. Fair. There has been some real concern by some in the private sector that the Department of Energy is not——

Mr. YATES. Not interested?

Mr. GLICKMAN. Not so much not interested, but not dealing efficiently and effectively with the battery research. I am not sure what we can do.

Mr. YATES. Did your committee go into that question?

Mr. GLICKMAN. We don't have direct jurisdiction in a lot of those areas. That is in Mr. Fuqua's subcommittee. I still happen to believe battery research is going to be the key to a large part of reducing fuel consumption. Driving cars on natural gas is also almost as feasible particularly for fleet use, large vehicle use.

Mr. YATES. The committee would appreciate your subcommittee doing further consideration on it and giving us budgetary recommendations.

Mr. GLICKMAN. That is in Don's subcommittee, isn't it? The battery? Some is in mine, some in his. In any event, we will try to get you some specific numbers on the natural gas.

Mr. YATES. The third thing—you mentioned this before—was the FDR Memorial Commission?

Is that within your jurisdiction?

Mr. GLICKMAN. No, it is not. This is a personal issue that I have here. I just hope you will do whatever you can to strike those funds this year.

Thank you.

[The statement of Hon. Dan Glickman follows:]

HONORABLE DAN GLICKMAN
REMARKS TO
INTERIOR APPROPRIATIONS
MAY 4, 1981

MR. CHAIRMAN, I VERY MUCH APPRECIATE THE OPPORTUNITY TO BE HERE TODAY. MY PURPOSE IN REQUESTING TIME IS TO REPORT ON CERTAIN ACTIONS TAKEN BY THE SUBCOMMITTEE ON TRANSPORTATION, AVIATION, AND MATERIALS IN AUTHORIZING THE DOE TRANSPORTATION PROGRAM FOR FY '82.

I SHOULD CLEARLY POINT OUT THAT THE FULL SCIENCE COMMITTEE HAS NOT ACTED YET. SO, ALTHOUGH I DON'T EXPECT ANY CHANGES IN OVERALL DIRECTION, I CAN'T SAY THAT OUR EXACT NUMBERS WILL PREVAIL.

NEVERTHELESS, I FEEL IT MAY BE HELPFUL TO DISCUSS BRIEFLY THE UNDERLYING REASONS FOR OUR ACTIONS.

AS YOU KNOW, TRANSPORTATION IS PART OF THE DEPARTMENT'S CONSERVATION EFFORT. AND IT IS AN EXTREMELY IMPORTANT PART OF THAT EFFORT. THE TRANSPORTATION SECTOR CONSUMES OVER HALF OF THE PETROLEUM IN THIS COUNTRY. SO IF WE'RE SERIOUS

ABOUT REDUCING FOREIGN DEPENDENCE, WE MUST BE SERIOUS ABOUT TRANSPORTATION. AND THIS MEANS BEING SERIOUS ABOUT THE AUTOMOBILE.

SEVERAL YEARS AGO, THE COMMITTEE, IN TWO PIECES OF HARD-WON LEGISLATION, ESTABLISHED PROGRAMS TO DEVELOP ALTERNATIVES TO THE INTERNAL COMBUSTION ENGINE. IN THE YEARS SINCE, WE, ALONG WITH YOUR SUBCOMMITTEE, HAVE FULLY SUPPORTED THESE EFFORTS.

BUT NOW, JUST AS THE FIRST MAJOR MILESTONES ARE BEING REACHED, THE ADMINISTRATION HAS RECOMMENDED THAT THE PRESENT "PROOF-OF-CONCEPT APPROACH"BE SCRAPPED. INSTEAD, THEY SUGGEST A MUCH LOWER-LEVEL "GENERIC R&D" PROGRAM. THIS WOULD MEAN TERMINATION OF THE THREE MAJOR DEVELOPMENT CONTRACTS (GM, GARRETT/FORD AND M.T.I.) AND ABANDONMENT OF THE PRINCIPLE OF FEDERAL SUPPORT FOR LONG-TERM, HIGH-RISK AUTOMOTIVE TECHNOLOGY DEVELOPMENT. IT WOULD MEAN WITHDRAWAL FROM PROJECTS THAT ADDRESS THE SINGLE MOST IMPORTANT

CONSUMER OF FOREIGN PETROLEUM --- THE AUTOMOBILE. AND IT WOULD PULL THE RUG OUT FROM UNDER TECHNOLOGIES THAT FORD AND GM HAVE TOLD ME MAY BE VERY IMPORTANT TO THEIR FUTURE.

ACCORDINGLY, MR. CHAIRMAN, THE SUBCOMMITTEE IS OPPOSED TO ANY CHANGE IN THE BASIC THRUST OF THESE PROGRAMS. AT THE SAME TIME, WE BELIEVE THAT SOME ECONOMIES CAN BE ACHIEVED WHILE STILL MAINTAINING THE KEY TECHNOLOGY WORK.

ACCORDINGLY, WE ADDED A TOTAL OF $33.0 MILLION TO THE ADMINISTRATION'S REQUEST FOR VEHICLE PROPULSION R,D&D. THIS WILL PERMIT CONTINUATION OF TWO GAS TURBINE AND ONE STIRLING PROOF-OF-CONCEPT DEVELOPMENTS, ALTHOUGH AT A REDUCED LEVEL. OUR REASON FOR CONTINUING WITH BOTH GAS TURBINES IS THAT UNTIL THE MOD I ENGINE IS TESTED NEXT YEAR, THERE WON'T BE A BASIS FOR PICKING ONLY ONE. AFTER THAT TIME WE MAY BE ABLE TO ELIMINATE ONE OF THE COMPETITORS.

THE OTHER MAJOR AREA CONTAINED IN THE SUBCOMMITTEE'S AUTHORIZATION IS THE ELECTRIC VEHICLE PROGRAM. HERE, THE

ADMINISTRATION IS SUGGESTING SOME VERY DEEP CUTS; BUT WE FELT THAT THE ESSENTIAL GOALS OF THE PROGRAM COULD STILL BE MET. SO, WE ACCEPTED THESE CUTS AS PROPOSED.

MR. CHAIRMAN, THAT CONCLUDES MY STATEMENT. I WOULD BE HAPPY TO ANSWER ANY QUESTIONS, BUT BEFORE I DO, I WOULD LIKE TO ADDRESS TWO OTHER MATTERS OF PERSONAL CONCERN TO ME WHICH FALL WITHIN YOUR SUBCOMMITTEE'S JURISDICTION.

FIRST, AS YOU MAY RECALL, LAST YEAR WE ENACTED LEGISLATION PROVIDING FOR A RESEARCH DEVELOPMENT AND DEMONSTRATION PROGRAM RELATING TO THE USE OF METHANE AS A TRANSPORTATION FUEL. AS I'M SURE ALL OF THE MEMBERS OF THIS SUBCOMMITTEE ARE WELL AWARE, METHANE CAN BE RECOVERED FROM A WHOLE RANGE OF SOURCES: COAL AND COAL SEAMS, URBAN WASTE AND SLUDGE, FEEDLOT WASTE AND NATURAL GAS, JUST TO CITE A FEW. TECHNOLOGY HAS BEEN DEVELOPED

FOR USING METHANE AS A VEHICULAR FUEL; HOWEVER, IT HAS NOT BEEN USED EXCEPT ON A VERY LIMITED BASIS - IN THIS COUNTRY BECAUSE OF CONCERNS THAT ENVIRONMENTAL OR SAFETY REGULATIONS MIGHT POSE ROADBLOCKS. ALL OF THE EXPERIENCE OVERSEAS AND SCIENTIFIC EXPERIMENTATION HAS BEEN POSITIVE ON BOTH COUNTS, BUT, WE ALL KNOW FEDERAL REGULATORS, AND YOU CAN'T BLAME PRIVATE INVESTORS FOR BEING HESITANT UNTIL THEY GET SOME WORD FROM OUR GOVERNMENT.

I CAN ACCEPT THE ADMINISTRATION'S DECISION NOT TO FUND METHANE VEHICLE DEMONSTRATION PROJECTS IN LIGHT OF OUR TIGHT BUDGETARY SITUATION. BUT THE FACT THAT THE BUDGET SUBMISSION CALLS FOR NO FUNDING WHATSOEVER IS, IN MY VIEW, SHORTSIGHTED. IF WE ARE SERIOUS ABOUT DIVERSIFYING THE ENERGY OPTIONS FOR OUR TRANSPORTATION SECTOR, RESEARCH AND DEVELOPMENT SUPPORT FROM THE FEDERAL GOVERNMENT DOES NEED TO REMAIN AVAILABLE. I, THEREFORE, URGE THE COMMITTEE TO INCLUDE FUNDS FOR THE RESEARCH AND

DEVELOPMENT ACTIVITIES AUTHORIZED UNDER PUBLIC LAW 96-512. THAT WILL ALLOW THE DEPARTMENT OF ENERGY TO PROCEED WITH WORK ON METHANE STORAGE AND TRANSMISSION EQUIPMENT. IT WILL ALLOW US TO MAKE SURE THAT METHANE VEHICLE TECHNOLOGY WILL MEET FEDERAL REGULATIONS SO THAT THE PRIVATE SECTOR CAN GO FROM THERE.

AND, SECOND, AS I KNOW YOU ARE AWARE, MR. CHAIRMAN, I THINK YOUR SUBCOMMITTEE SHOULD STRIKE FUNDS REQUESTED FOR THE FRANKLIN DELANO ROOSEVELT MEMORIAL COMMISSION. AS I AM SURE THE MEMBERS OF THIS SUBCOMMITTEE ARE BETTER AWARE THAN I, THAT COMMISSION HAS BEEN IN EXISTENCE SINCE 1952 AT A CUMULATIVE COST OF NEARLY HALF A MILLION DOLLARS. THE IRONY OF IT ALL IS THAT PRESIDENT ROOSEVELT HIMSELF SAID THAT HE DID NOT WANT A MEMORIAL BEYOND THE SMALL BLOCK OF GRANITE NEAR THE ACHIVES ON PENNSYLVANIA AVENUE. NONETHELESS, THIS COMMISSION HAS PROPOSED FOUR DIFFERENT MEMORIALS; ALL OF THEM HAVE BEEN SHELVED.

THIS YEAR'S BUDGET REQUEST FOR THE COMMISSION IS $40,000. VIEWED FROM A BUDGET OF $700 BILLION, THAT'S PEANUTS. BUT OVER THE YEARS IT ADDS UP; FOR THIS COMMISSION, IT'S RUN UP TO ABOUT HALF A MILLION DOLLARS. AND WHEN WE'RE CUTTING WITH THE KIND OF FERVOR WE ARE THIS YEAR, IT'S HIGH TIME WE CLOSE THIS COMMISSION DOWN.

#######

MAGNETOHYDRODYNAMICS (MHD)

WITNESSS

HON. ALBERT GORE, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TENNESSEE

Mr. YATES. Mr. Gore.

Mr. GORE. Good morning.

Mr. YATES. We are glad to have you testify this morning. You are here for MHD, I see.

Mr. GORE. It is not the first time.

Mr. YATES. I mean openly.

Mr. GORE. Right. I will submit the entire text for the record.

Mr. YATES. Your text may be made a part of the record.

Mr. GORE. I appreciate the position taken by the subcommittee in the past, Mr. Chairman. You and I have had more conversations on this subject than either of us can remember offhand. Basically, the problem is that the Congress and country over the last eight years have painfully and slowly worked out a consensus plan that will solve the country's energy crisis.

Our task in the Congress is to avoid the pendulum mentality that swings from one extreme to the other during a time of crisis. We are falling all over ourselves to propose to appropriate more money than can possible be spent. Then when there is a temporary false relaxation, there is a misleading sense of calm that leads many to make unwise savings at the expense of what are really national security programs.

One of the interesting additions to the debate on energy has come recently with the translation of Sheik Yamani's recent speech to the OPEC nations, trying to justify the Saudi Arabian's continued insistence on a ten million barrel per day output. He confirmed in that speech what many have long suspected—that Saudi Arabia keeps a very close eye on this country's efforts to produce substitutes for imported energy, and to make an effective transition away from an oil based industrial sector.

We begin to get together the effective resolve and determination in the country, and translate it into bricks and mortar and ongoing efforts to make that shift, then the price softens or the supply goes up, and a lot of Americans take the bait. It is like Charlie Brown and the football. Surely, we will learn sooner or later.

Thank goodness this subcommittee has shown an understanding of that ruse during the times of emminent crisis perceptible to most Americans. This subcommittee has wisely resisted vast increases in funding in a way that couldn't be spent. I have been here on occasions in the past trying to get increases for MHD, I know, and I have learned from this subcommittee the wisdom of a steady course of development.

On this occasion, of course, the pendulum is at the other extreme. Each time we go through this cycle, the next crisis brings us to a new plateau of urgency. And the next cycle on the other side brings us to a new plateau of ideology. If we once again fall for this ruse, it is a mistake. So having spent $400 million in the MHD program to get to the development stage, to suddenly cut it off completely, without retaining the benefits of the development that we have gotten to in an orderly, progressive way is really short-

sighted in the extreme. This is precisely what they are proposing to do.

Now, there are some rookies over at the OMB——

Mr. YATES. Yes.

Mr. GORE. Let me just read you what their specific justification was.

Mr. YATES. That sounds like a euphemism to me.

Mr. GORE. Perhaps an impertinent euphemism as well. But what they said—Fred Kadouri, and he is a good fellow, he was David Stockman's Administrative Assistant, or Energy Assistant on the Commerce Committee. I know him well. He has really got his hands full with his massive solution to the energy crisis he has put together. He is not familiar with all of it by any means. They are shooting from the hip, and they don't know what the effects of the decisions are.

What he said about MHD was well, he saw that if this thing works, in a couple of years we are going to have to greatly increase the funding for a large plant. Since we are determined not to make that expenditure a couple of years from now, we decided it would be smart just to cut it off completely now and save us the pain of that decision two years from now. Well, of course, if it works, there will be some benefits, as well as liabilities.

Beyond that, the two year time frame he had was all out of whack. It is at least five years before that plateau will be reached. But let's go through with the development program at least and get the results of the work we have done up to this point. That is basically my message, and I hope that the subcommittee will persist in what I think is a wise course of action in avoiding this action.

Mr. YATES. I think the subcommittee agrees with your Sheik Yamani speech. The action supported by the full committee last week taken by the subcommittee, was that we rejected recission of $6 million for MHD so that could go forward for fiscal year 1981. We also not only accepted the Administration's recommendation—$1,300 million for the strategic petroleum reserve, but we moved forward.

Mr. GORE. Yes, and I was so delighted by that, yes sir.

Mr. YATES. So they can start buying and really move forward in filling our reserves.

Mr. GORE. Since that time, both the Washington Star and Washington Post have entered this debate. That got lost in the shuffle, the strategic reserve. It is not something that ought to be played around with.

Mr. YATES. But we will go forward. We agree with the conclusions you have drawn, and we will try to be a responsible committee.

Mr. GORE. I am most comforted. I appreciate the chance to come once again.

Mr. YATES. Thank you.

[The statement of Hon. Albert Gore, Jr. follows:]

TESTIMONY OF ALBERT GORE, JR.

before the

APPROPRIATIONS SUBCOMMITTEE ON INTERIOR

MAY 4, 1981

on

FISCAL YEAR 1982 APPROPRIATIONS BILL

76-703 0 - 81 - 45 (6b)

Mr. Chairman:

I appreciate the opportunity to appear before you today as you receive testimony on the FY 82 Appropriation Bill. I want to confine my remarks this morning to the Department of Energy Fossil Energy R&D portion to the Apporpriation Bill. It is evident that the federal role in energy development is going through its most dramatic reappraisal since the inception of our national energy policy in the early 1970's. In this rapid and dramatic restructuring of the Federal role, the Administration has proposed the elimination of all funding for magnetohydrodynamics, or MHD, from the FY82 fossil energy R&D budget. In order to evaluate the serious ramifications of this proposal, it is necessary to first look briefly at U.S. energy security in its entirety.

The U.S. was slow to recognize energy as a security problem, despite the dramatic developments of the last decade. When the 70's began, Americans imported about one-quarter of our oil needs. We were the largest oil producer in the world and the price of oil was about $2 a barrel. By the end of the decade, we were importing nearly half our needs at 15 times the price charged only a few years before. The report of Harvard's Energy and Security Research Project concluded that, "two-fifths of the oil consumed by the free world economy is vulnerable to terrorism, warfare and extortion. The sudden loss of Persian Gulf oil for a year could stagger the world's economy and devastate it like no event since the Great Depression."

In at least partial recognition of this problem, Energy Secretary James Edwards promised in his address to the National Press Club on April 2, 1981 to continue the policy of the previous Energy Secretaries Schlesinger and Duncan of focusing on the international ramifications of U.S. energy policies and programs. He stated, "The only way to decrease our dependence on foreign oil --which cost $78 billion in 1980-- is to increase domestic energy development and production," including the "tremendous potential" of coal.

Virtually every important study of U.S. energy resources emphasizes the need for U.S. development of our vast coal resources. The Energy Information Agency's "1980 Annual Report to Congress", like most other studies, predicts no significant gain in domestic oil production or production of U.S. natural gas. The International Energy Agency has urged all members of the Organization for Economic Cooperation and Development to immediately develop their abilities to utilize coal as a resource.

Most energy research and environmental organizations assume that the cost of energy independence through coal is a dirtier environment. This would indeed be a high cost to pay. It is a cost we should not be quick to accept. Therefore, we must make it a national priority to speed development of clean energy technologies whose power generating capapbilities greatly eliminate the trade-off between a clean environment and energy independence.

MHD can be just such a technology. It is a process in which fuels are burned at very high temperatures, producing a gas which is then passed through a strong magnetic field to generate electricity. Because the high temperatures cause a virtually complete combustion of the fuel used, it greatly reduces the pollution from conventional coal fired plants.

Tests conducted this month at the MHD facility at the UTS Institute held pollution to 1/7 of the level the Environmental Protection Agency has set as an acceptable air quality standard for both sulfur and nitrogen oxide emissions.

This dramatic pollution control would not only allow the U.S. to use its extensive deposits of high-sulfur coal, but would also help to alleviate the problem of acid rain, which the Canadian government calls the single most serious problem effecting its relations with the United States, not to mention its effects on our own country's environment.

Conventional forms of combustion produce oxides of sulfur and nitrogen, which combine with atmospheric water and often fall hundreds of miles away from their point of origin. The control of acid rain has been and remains a major issue in the drafting of the Clean Air Act.

Industry has vigorously protested attempts to control acid rain by requiring capital investments in stack scrubbers to wash the coal smoke with chemicals. The Edison Electric Institute estimates that a scrubber for an average sized 700-megawatt plant requires a capital investment of about $115 million, and costs about $2000 per hour to operate.

The potential of MHD technology is, however, not limited to pollution control. Tests have shown that it will increase the real energy extracted from each ton of coal by about 50%. In this way, the cost of electricity generated in the MHD system will be about 20% cheaper than conventional coal generated electricity. MHD is really a topping cycle, allowing us to burn coal at a much higher temperature, which dramatically improves the efficiency.

Considering the promise of the MHD technology, why has the Administration recommended termination of federal support? Its own guidelines for the federal role in energy development emphasize longer term, higher risk R & D with a high potential payback. MHD is just a such a technology because commercialization is still some several years away.

Terminating support for MHD technology not only contradicts the Administration's own guidelines for federal R & D involvement, but also invloves incredible waste of taxpayer money. Nearly $400 million have been invested in the technology between 1971 and 1981, with 75% of this expenditure in the last four years.

During this period, a professional staff of over 1000 scientists, engineers and technicians has been assembled and trained in the skills associated with this technology. Between 1978 and the present, approximately $200 million has been directly invested in three principal new and sophisticated experimental facilities. Testing in hese new facilities has just commenced during the last four months and the initial phase of testing will require 18 to 24 months to complete.

The technical effort supporting our MHD program is especially outstanding. I recently received a copy of a letter to Chairman Ruina of the Science and Technology Committee from Professor William Kays, Dean of the School of Engineering at Stanford University, who states that engineering students attracted to the MHD program have been among the most talented in our universities. He further observes that an important new engineering discipline is developing through the MHD program which combines mechanical engineering, fluid mechanics, and electromagnetic theory. He feels that this combination of engineering skills will be extremely important in leading to future technological progress. I am personally convinced that this assessment by Professor Kays is correct and that the quality of engineering and scientific work in this program is high. With the new MHD facilities which have just been completed, I feel that the quality of the program and the quality of the research team will become even more evident through the results achieved.

A moderate research and development phase of the MHD program will cost about $40 million per year for the next three years. Mr. Roger A. LeCassie,

Acting Assistant Secretary for Fossil Energy at DoE, stated in his testimony before the Science and Technology Committee this spring that MHD was a promising technology. On a technical basis he strongly supported our program but he stated that budgetary constraints were responsible for OMB's termination of the program. When the relatively small funding level required to complete the R&D phase is balanced against the amount already invested, and the waste from not utilizing the technology base which the program has established is considered, it is clear that cancellation of the program would result in long-term costs greater than any short-term savings. It makes no sense to stop a program just now reaching the payback point.

In addition, the potential and far-reaching applications for this technology are evidenced by an aggressive and long term program in the Soviet Union directed toward both fossil fuel and thermonuclear applications. The Soviet R&D establishment has been supporting the MHD effort without interuption for over two decades. Soviet support for MHD research began in 1960 and the program continued even in the years in which the U.S. was weakening its own support for MHD. A.E. Sheindlin, Director of the Institute for High Temperatures at the Moscow Power Institute, was quoted as saying that, "it was not easy for us to stay in the field in isolation, but we were sure of the correctness of our approach and continued it." Last June the Soviet Council of Ministers announced plans for construction of five new MHD facilities. I question the wisdom of terminating the U.S. program in light of this aggressive Soviet effort.

I am sure that you will share my concern over the abrupt manner in which the Department of Energy currently proposes to cancel the MHD program. If the Congress does not take deliberate action to restore this program, DoE will issue stop work notices beginning on June first, just four weeks from now. At that time they will begin to negotiate contract terminations and initiate the mothballing effort for all of the R&D facilities which we have just completed. If the Administration succeeds in this plan, and then it later becomes important to resume this promising R&D effort, I fear that the majority of the results from this hastily terminated program will be lost.

Finally, Mr. Chairman, I want to discuss a report which appeared in "Energy Daily" April 16, 1981. An Assistant Director at OMB cited the MHD program as an example of a program that failed DoE's cost-effectiveness test because it would require a commitment to a "big facility" in about two years. Since the Administration felt it would say no to that facility in two years, it decided to say no now and save more money.

Why should the impending decision on a demonstration plant "in about two years," which actually is at least five years away even under the DoE schedule, be used as a justification for halting the R & D phase which leads to that decision? The R & D phase is separate and distinct from the demonstration commercialization phase.

If we use this rationale, that an R & D effort should be terminated when it might lead to a commercialization decision at some point in the future, it is clear that all really good R&D would have to be stopped immediately. In fact, OMB does not have a valid technical argument against MHD and apparently cannot construct a consistent policy argument to justify the termination.

Mr. Chairman, I hope that your committee will continue to support efforts to restore a moderate MHD program, which will lead to the orderly development of an MHD technology base.

BOUNDARY WATERS CANOE AREA/PEAT GASIFICATION

WITNESS

HON. JAMES L. OBERSTAR, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. YATES. Mr. Oberstar.

Mr. OBERSTAR. Thank you, Mr. Chairman.

Mr. YATES. We welcome you again, Mr. Oberstar. Is this for boundary waters?

Mr. OBERSTAR. Two for one this morning, Mr. Chairman. Boundary waters and peat.

Mr. YATES. Your statement may be made a part of the record.

Mr. OBERSTAR. Thank you.

This subcommittee has truly carried forward the commitment of Congress over the past several years in providing virtually full funding for the programs authorized by the Boundary Waters Canoe Area Wilderness Act—Public Law 95-495. It was not my bill, but the Congress passed it and it is law. I want to thank you, Mr. Chairman, for your great personal interest in this appropriation.

Mr. YATES. Thank you.

Mr. OBERSTAR. The Senate has accepted the figures approved by this subcommittee. In fiscal years 1980 and 1981, it has been the amount recommended by this committee that has become law.

Mr. YATES. Thank you.

Mr. OBERSTAR. Public Law 95-495 quite clearly indicated a commitment to manage the Boundary Waters Canoe Area along certain lines, while at the same time recognizing the equities of the situation. You have been very mindful as have others, including our colleagues, Mr. Murtha, and Mr. McDade, who have recognized the obligation, legal and moral, on the part of the Federal Government.

The Carter Administration recommended a $14.7 million budget for fiscal 1982 for Boundary Waters. The Reagan Administration has requested first, a recission in the current fiscal year of $400,000. For fiscal year 1982, it requests only $7.95 million, a $6.7 million decrease from the Carter budget.

In my testimony this morning I wish to discuss the effect of this reduction in two areas: 1) resorts and 2) forestry. I am requesting this subcommittee to appropriate $13.5 million, a $5.5 million increase over the Reagan budget, but a decrease from the current fiscal year.

First, the resorts. I am asking the subcommittee to restore $2.5 million for the Land and Water Conservation Fund purchases required under section 5 of the Act. There are 19 resorts that are in one stage or another of acquisition, six already bought, two are under option, four have rejected the appraisal and are reconsidering.

One resort has sued the Forest Service in the Court of Claims.

Five other resorts are now being appraised with an estimated value of $2.3 million.

Another resort is considering an offer for land purchase.

Six more are expected to seek acquisition in fiscal 1982. Section 5 requires—and I must emphasize—requires the Forest Service to

buy those resorts. There is an obligation there, and I am asking that $2.5 million be appropriated for that purpose.

Secondly, forestry—the Boundary Waters Act of 1978 terminated timber harvesting in the BWCAW, the Forest Service and the State committed to replace the last yield of the BWCAW with timber produced on Federal and State lands outside the BWCAW. The State went forward with a commitment to put up State funds to match $3 million a year from the Federal Government. The counties have also committed about a half a million dollars in county funds to move ahead with intensified forestry management.

To date, with these funds, 37 million seedlings are now ready to be planted. If the Reagan budget goes forward, the State will simply have to plow under those seedlings. There is no way they can move ahead to undertake the planting.

Mr. YATES. How much money is represented by that?

Mr. OBERSTAR. Those seedlings have a market value of about $1.2 million.

Mr. YATES. How much money is represented by the planting?

Mr. OBERSTAR. That is about a $6 million effort.

Mr. YATES. Is it?

Mr. OBERSTAR. More than that, about a $7 million effort when you consdier the Federal, State and county. The State bought the equipment, cold storage, and seed extraction equipment to accelerate the amount of seed to be planted. Eleven million of those seedlings are to be planted on Federal forestry land including Bureau of Indian Affairs lands in Minnesota. If we don't go ahead with the program now, we are going to set back the whole forestry program probably ten years. That is our third largest industry in the State of Minnesota. You have agriculture, mining and forestry.

Mr. YATES. And tourism.

Mr. OBERSTAR. And tourism is about fourth.

On peat, Mr. Chairman, you know Minnesota is at the end of the energy pipeline. So are most of the northern tier States. But we do have reserves of peat. The peat in the lower 48 States of this country represents an equivalent of 240 billion barrels of oil. The significance is not only that it is an alternative to imported energy, but that it occurs in those States which are otherwise energy short.

Since 1974, a program has been underway in our State of Illinois at the Institute of Gas Technology.

Considerable progress has been made toward a determination of the commercial feasibility of gasifying peat. A pilot plant has been developed now. Now, they are at a takeoff point. They need one more year to go ahead and prove this technology. We have spent over $20 million. This committee has made it all possible by the funds that you have appropriated.

Mr. YATES. With your assistance.

Mr. OBERSTAR. I am just suggesting we take that one more step. The gasification of peat will serve as the energy source for direct reduction of iron ore, if we come to that point, which will keep Minnesota's iron mining industry competitive and help shore up the nation's steel industry.

Mr. YATES. Thank you very much, Mr. Oberstar. Your statement may be part of the record.

[The statement of Hon. James Oberstar follows:]

STATEMENT OF HONORABLE JAMES L. OBERSTAR, M.C.

MAY 4, 1981

SUBCOMMITTEE ON INTERIOR AND RELATED AGENCY APPROPRIATIONS

Mr. Chairman, Members of the Subcommittee. I am here today to testify on behalf of two appropriations of great importance to the people I represent in the House: funding for programs authorized by the Boundary Waters Canoe Area Wilderness Act, PL 95-495, and for research into the use of peat as a source of energy.

In 1979, and again last year, this Subcommittee acted to ensure that the Congress fulfilled a commitment to the people of Minnesota.

Public Law 95-495 imposed restrictions on the use of the Boundary Waters Canoe Area Wilderness in my district. In enacting those restrictions, Congress authorized several programs to mitigate the law's negative impact on the people, communities and small businesses in the area around the 1,077,000 acre wilderness area.

This Subcommittee, more than any other Committee in either the House or the Senate, has responded to the commitments made at the time of the enactment of PL 95-495.

In Fiscal Years 1980 and 1981, the Subcommittee approved additions to the Administration budgets totalling approximately $6 million.

I have appreciated the consideration that this Subcommittee, and the Chairman, particularly, has given to the requests that I have made on behalf of my constituents. The gentleman from Illinois has become one of the House experts on this appropriation, as on every other issue that comes before his Subcommittee.

In January, the Carter Administration submitted a budget requesting a total of $14.7 million for BWCA programs, which represented a slight increase over the FY 1980 and FY 1981 appropriation of $13.9 million. (In each of those two

years, the amount approved by this Subcommittee was the amount ultimately signed into law.)

While I would like to have seen some adjustments in the January budget, it was a fair request, and I would have supported it.

The Reagan Administration proposes to reduce the request by $6.7 million to approximately $7.95 million.

The Administration has made a grevious error in proposing this budget cut. I cannot support it. The issue is not a partisan one--of a Democratic or Republican budget. When President Carter in 1979 requested an inadequate appropriation for BWCAW programs, I criticized that request. The appropriation of funds for BWCA programs has bi-partisan support in our Minnesota delegation and in Minnesota.

I have worked with our two Republican Senators on this issue since they first came to office in 1978; they support full funding of the BWCAW Act programs. The Republican Governor of Minnesota and the State's Democratic Legislature have provided the financial support to which they had pledged for BWCAW programs.

The Reagan request leaves the federal government in the position of being unable to fulfill its obligations under a law passed by the U.S. Congress less than three years ago.

While I would prefer that the Subcommittee approve the January request of $14.7 million, or at least maintain funding at the current level of $13.9 million, I recognize the constraints under which this Subcommittee and all of us in the House must act this year. Fiscal restraint, however, will not excuse the failure to fulfill the legal obligations of the federal government.

I ask that this subcommittee make two substantial restorations to the FY 1982 budget request for PL 95-495 programs:

1. Provide $2.5 million from the Land and Water Conservation Fund for the purchase of resorts under the authority of Section 5 of PL 95-495; and

2. Appropriate $3 million for the State of Minnesota's forestry management program as authorized by Section 6 of PL 95-495. Section 6 authorized an 80%/20% federal/State matching grant program to assist the State intensify its management of State forest lands. PL 95-495 prohibits logging in the BWCAW. Prior to the enactment of PL 95-495, the State of Minnesota promised to increase the yield of its timber lands to compensate for the lost yield of the BWCAW. The State made that commitment when it supported the prohibition of logging in the BWCAW. Congress made a reciprocal commitment to provide $3 million annually to the State in the period 1980-1990 inclusive. The State is required to provide a match of $750,000 annually, which it has done in the previous two fiscal years.

The Minnesota Department of Natural Resources has prepared an excellent summary of the importance of the PL 95-495 funds to the State's intensive management program. I ask that the State's view be included in the record of this hearing.

Under the authority of Section 5, resort owners on certain specified lakes have the right to require the Forest Service to purchase their resorts if they determine they cannot operate under the restrictions of the law.

These purchases are not discretionary. They constitute obligations upon the federal government, imposed by Congress. Congress, with this committee's approval, has voted $3 million for Section 5 purchases in each of the previous two fiscal years. The Carter budget requested $2.5 million in additional funds for Section 5 purchases. That amount is the minimum needed.

Thirty resorts are eligible under Section 5. To date, nineteen have expressed an interest in being purchased. Of these nineteen, six have been paid a total of $2.18 million. Options have been signed on two resorts valued at a total of $628,550. The Administration has frozen the appropriated funds for those purchases. Four resorts have rejected the Forest Service appraisal and have withdrawn the request for purchase. Another resort has rejected the appraisal and sued the federal government.

Five resorts, with an estimated value of $2.1 million, are in some stage of the appraisal process. One resort is considering an appraisal of $300,000. Finally, $1.6 million has been set aside for acquisition of land within the BWCAW. This acquisition, separate from the resort buyout, is mandated by the 1978 Act. The Forest Service has rejected requests by both Senator Durenberger and myself not to use the resort buy-out funds for these wilderness purchases.

In addition, this appropriation must fund administrative costs of the resor' buy-out program which are estimated to total $.9 million in FY 1982.

In order to settle existing options and pending court cases, the Forest Service will need at least the additional $2.5 million that I am requesting today. The Service may, in fact, need $3.0 million.

Furthermore, the Forest Service estimates that another six resorts, valued at approximately $2.1 million, may seek to be purchased in FY 1982. Under the provisions of the 1978 Act, resorts have until September 30, 1985 to request purchase.

I would like to include for the Record the letter I wrote to David Stockman, Director of the Office of Management of Budget, regarding Section 5 purchases and the Administration budget.

Mr. Chairman, Members of the Subcommittee, I did not support PL 95-495; I had a different, less burdensome

proposal which I offered to the House. When the 95th Congress considered this legislation, I argued, as the record of the past two years has shown, that the restrictions on the BWCA would have serious economic consequences for my District. It has had those consequences. At the same time, the programs authorized by PL 95-495, and funded by this Subcommittee, have made a difference in mitigating the impact of the restrictions. I have been able to tell my constituents that Congress is serious about honoring the commitments made when the law was enacted.

I urge this Subcommittee to continue the fine tradition it has established during the past two years. I have limited my request to the absolute minimum. I ask that you restore the funds for Section 5 purchases and for the grant to the State of Minnesota and appropriate $13.45 million for BWCAW programs in Fiscal Year 1982.

Peat is an attractive energy source because it is located in regions of the United States not otherwise endowed with petroleum or non-petroleum energy resources. It is a resource yet untapped in the United States despite the fact that the U.S. has the second largest peat reserves in the world.

The study of peat as a gasification feedstock has been underway since 1974. The Peat Program at the Department of Energy has been a successful, cooperative venture between public and private sectors. To date, the Peat Program has been funded for four years in the Interior appropriations. Its progress can be measured not only in the renewed requests each year for further funding but in the increasing matching funds by private industries eagar to work with DOE in testing the peat gasification technology.

Last year the Peat Program was funded at a level of $13 million. This was matched by an industry commitment of over $3 million. Some of this Department funding has been invested in the construction of a pilot gasification plant to test this technology. This process has been tested successfully at all stages necessary

to bring it to pilot scale operation. Testing is now underway at the DOE-owned pilot plant in Chicago and must continue for six months in FY82. The value of this program was reaffirmed by the Science and Technology Committee's decision to restore the $5 million in the FY81 which was rescinded by the Reagan Administration. Pilot plant testing is a necessary base for a commercial unit development. The successful operation of this pilot plant is the final key to potential commercialization.

I urge the Subcommittee to fund the authorization of $6 million in FY82 for the operation of the gasification plant in Chicago. It is a waste of millions of dollars to construct the plant and withdraw funding just as it becomes operable. The DOE peat program has demonstrated significant advances in its projections and assessments of large scale peat utilization - whose effects are staggering when the country's peat reserves are evaluated to be equivalent to an estimated 240 billion barrels of oil. With the entire FY82 appropriation of $6 million applied to pilot operation, any overlap and redundancy of effort could be avoided with an expected maximum return for the dollars expended. The demonstration to private industry of this technology will open the way for private industrial investment in this energy resource.

BOUNDARY WATERS CANOE AREA WILDERNESS ACT, P.L. 95-495
FUNDING PROVISIONS FOR THE STATE OF MINNESOTA

By 1976, and prior to U.S. Congressional action on the BWCAW, the State of Minnesota had designated no-cut zones for timber harvesting on state lands in the BWCA to protect the wilderness quality of those lands. Passage of P.L. 95-495 in 1978, including its extension provisions for the Shipstead-Nolan reservation, created a federally mandated no-cut zone. The federally recognized no-cut zone included 69,840 acres of state lands which were not included in the original, voluntary, state designated no-cut zone. This expansion of the no-cut zone by the Federal government has resulted in the taking of property rights on lands owned by the State of Minnesota, thus resulting in restricted or fee-complex ownership.

In situations such as this, the Federal government has the power, in serving the public interest, to take property rights. However, in such a situation, the Federal government is both morally and legally bound to provide just compensation in the form of cash, property or privileges to the owners of the property rights which were taken. Congress, in passing P.L. 95-495, recognized this obligation for just compensation, and not only authorized but directed the Secretary of Agriculture to make such compensation available to the State, and its political subdivisions (P.L. 95-495, Sec. 6c2). The expressed purpose of this compensation is to "expedite the intensification of resource management ... on ... lands in Minnesota, outside of the (BWCA) wilderness, to offset, to the extent feasible, the reduction in the programmed allowable timber harvest resulting from reclassification of the Boundary Waters Area" (P.L. 95-495, Sec. 6c1).

As finally approved, P.L. 95-495 authorizes an appropriation of $3,000,000 per year for fiscal years 1980 through 1990 inclusive, as just compensation to the State of Minnesota for the purposes of the BWCAW Act. At this point in time (March, 1981) it appears that this compensation may be limited to a total of only six million dollars, due to budget reductions instituted by the current administration. The State of Minnesota, Department of Natural Resources, believes that the reduced level of compensation would be both unjust and inadequate, especially as Congress has continually reaffirmed the principle of full and just compensation (see: Congressional Record - Senate, 11/14/80, pp. S14459-S14461). Moreover, past precedence have been set at the Federal level for much higher rates of compensation for similar situations (see the Redwoods National Park compensation provision,

which in the aggregate may have amounted to over 400 million dollars in federal payments).

The Minnesota Department of Natural Resources believes that the administrative deletion of the BWCAW funding at this point in time, without a detailed analysis of the program's costs and benefits in relation to the four national accounts, is unwarranted. A DNR report, dated October, 1979, estimates the potential benefit of the $33,000,000 (total) BWCAW Federal funding to be 135 million dollars in wages, product values and taxes (including perhaps $44 million in federal income tax revenues), indicating a significantly positive benefit-cost ratio for the program. A second DNR report, dated August 11, 1977, indicates that the cost of reforesting and intensifying the output of timber on 69,840 acres of state land outside the BWCA would be $12,990,240. This cost is substantially higher today, due to both real and inflationary price increases. Expressed in 1980 dollars, this cost is estimated to be $18,669,000.

The 18 million dollars referred to above, would provide sufficient funding to bring into production deforested lands outside the BWCA, as a future (i.e., 2020-2040) source of harvestable wood. It would not provide sufficient funding to offset the short term (i.e., 1980-1990) reduction in the programmed allowable timber harvest. To successfully offset this short term reduction requires additional funding for an accelerated timber access (road) and management program on state, county and private lands outside the BWCAW. The DNR's most current estimates place the total cost of such a program at over 3.4 million dollars per year during the coming decade. Thus, the total cost of P.L. 95-495 to: (1) provide just compensation; and (2) mitigate reductions in the allowable harvest may well be in excess of 56 million dollars.

As pointed out in the Congressional Record (11/14/80, op. cit.), the provisions of P.L. 95-495 represent a compromise in which the Federal government agreed to finance $33 million, and the State agreed to finance the balance of any forestry related costs of the BWCAW Act on non-federal lands in Minnesota. The $18 million level of funding, suggested above, would indicate that Federal appropriations should continue at least through Federal Fiscal Year 1985. The balance of the program funding should be based on the relative economic, environmental, and social values of the program as determined by an indepth program evaluation. This overall plan for funding would be consistant with Congressional intent, as expressed in P.L. 95-495.

Congress has directed that the Secretary of Agriculture conduct a review of the BWCAWA funded programs in 1983, and based on this review, incorporate the programs into the RPA (88 Stat. 476, et. seq.) process for the FY 85-90 period (Ref: P.L. 95-495, 6c1). Under this suggested schedule of program administration, both the concepts of just compensation, and maximum net benefit at least cost, could be satisfied. The Minnesota DNR strongly urges the current administration to adopt this concept for funding the BWCAW Forestry Intensification Program, now and in future years.

TRANSPORTATION

CHAIRMAN:
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT

MERCHANT MARINE AND FISHERIES

Washington, D.C. 20515

ANOKA, MINNESOTA 55303
(612) 421-8862

CHISHOLM CITY HALL
316 LAKE STREET
CHISHOLM, MINNESOTA 55719
(218) 254-5781

231 FEDERAL BUILDING
DULUTH, MINNESOTA 55802
(218) 727-7474

April 1, 1981

Mr. David Stockman
Director
Office of Management and Budget
Washington, D.C. 20500

Dear Dave:

Section 5 of PL 95-495, the Boundary Waters Canoe Area Wilderness Act of 1978, requires the U.S. Forest Service to purchase a limited number of resorts if the owners of these businesses request the government to do so. The Section imposes a legal obligation upon the Federal government. The purchases under Section 5 are different from land purchases made at the discretion of the government.

Congress imposed considerable restriction on existing motorized use of the Boundary Waters Canoe Area in the 1978 Act. Congress included Section 5 to provide a degree of financial protection to those resorts forced out of business by the government-imposed restrictions on the BWCAW.

The Land and Water Conservation Fund provides the appropriation for Section 5 purchases. Congress appropriated $3 million for these purchases in Fiscal Year 1981.

Because of the moratorium on land acquisition announced in February and the subsequent freeze on Land and Water Conservation Fund purchases, the U.S. Forest Service is now in the position of being unable to fulfill its legal obligations under Section 5 of PL 95-495.

I am asking that OMB direct the Forest Service to use appropriated funds to fulfill those obligations. Furthermore, I ask that the Administration support the appropriation of an additional $2.5 million for FY 1982.

If you need additional information, I would be pleased to discuss the issue with you or a member of the OMB staff.

With best wishes.

Sincerely,

Jim

WITNESS

HON. MORRIS K. UDALL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ARIZONA

Mr. YATES. Mr. Udall.

Mr. Chairman, we are glad to see you. We are honored and privileged to have you with us.

Mr. UDALL. It is great to be with the great Ayatollah. We come seeking alms at this point in the season.

Mr. YATES. Oh you kid. What is the scripture, "Blessed are the merciful"—something like that.

Mr. UDALL. Something like that.

Mr. YATES. Alms for the poor.

Mr. UDALL. I come surrounded by colleagues and friends and supporters for this annual trek.

Mr. YATES. Where ever you go you are always surrounded by colleagues and friends.

Mr. UDALL. I have Manuel Lujan, ranking minority member, John Seiberling.

Mr. YATES. I consider him to be one of your bodyguards.

Your statement may be made part of the record.

Mr. UDALL. We have never had that done before. We always read our full statements.

Mr. YATES. Oh, no. This gives you a two shot chance. You have the statement, then you can verbalize on it.

Mr. UDALL. I was trying to be funny, but it didn't work.

General Haig told me, he says "Go down there and tell them you are in control. Look Yates right in the eye."

Mr. YATES. I hear you studied dramatics under Haig for two years.

Mr. UDALL. Could have done worse. It might have been Jim Watt.

Mr. YATES. How are you getting along with him?

Mr. UDALL. Well, better than I had supposed at this point.

Mr. YATES. Wait.

Mr. UDALL. Maybe worse to come. Mark Russell said Jim Watts' idea of "a park" was to have a cookout in a strip mine.

Three or four points, Mr. Chairman. I start with no particular order. Our Indian programs have been a burden for you to be fair and listen to us every year. You have done very well. Even in the face of Indian backlash, which is a virulent device these days, you have stood up for things for the Indians. I hope we can treat them fairly again.

Our paper has some specifics: I wanted to just rebut one old myth that runs around. That is, everybody comes up from time to time with these figures of $12,000 per Indian, that America is spending $12,000 per Indian and getting nothing, the implication being our non-Indian citizens do a lot worse at the federal till. Our study which Frank my staff put together said, yes, the figure of $12,000 is correct, but it is not per person. It is for a family of four. When you add it all up it was $2,900 for Indians and something like $3,700 for non-Indians.

76-703 0 - 81 - 46 (6b)

So the myth that somehow we are spending more money for our Indian brothers and sisters is wrong, and I wanted to leave that point with you.

Land and Water conservation fund troubles me greatly.

Mr. YATES. Before you leave that, I am troubled, too, by the Reagan proposal which is to make the same kind, or develop the same kind of procedural relationship with the Indian tribes and nations that they have with the states. That is, to move to a block grant proposal. I think that just as the states will lose under the proposal for the elimination of categories, I think the Indians will, too.

Mr. UDALL. I do, too. We are concerned about it. We held a couple days testimony on this very thing, so we would be in a position to speak out on it. Payment in lieu of taxes was part of the deal, an honest bargain.

Mr. YATES. I don't know that I will accept that, but go ahead.

Mr. UDALL. Hell, I can't even get a statement out here without being contradicted.

Mr. YATES. Well, I agreed with you——

Mr. MURTHA. This is a complete dictator.

Mr. YATES. I agreed with you on the Indians a moment ago.

Mr. UDALL. In 1936 Taylor Grazing Act we said these public lands are simply there as an interim status. The federal policies to get them into the hands of the states and private owners as soon as possible, and how do you administer them in the interim.

In the 1976 BLM Organic Act, we reversed that policy. The policy of the government now is that except for special cases, we are going to retain them. They provide watershed, timbers, grazing and everything else. That decision was accepted by most of the American people, but the other side was we said if we are going to put counties in the Western states forever in the situation of having large chunks of federal land—maybe in some cases the whole damn county practically under federal ownership and you are not going to be transferring the land, you are going to keep it—then you ought to give us a little help so we can provide schools for the Forest Service children and Forest Service employees and so on.

Mr. YATES. Don't you get that under impact aid now?

Mr. UDALL. Yes, part of it. It is partly that, but also the whole community loses out. I have a couple of counties in northern Arizona where there is no real tax base at all.

This was an attempt to square that side of the deal. It has worked very well. I thought somebody was joking when they said they were cutting out the payment in lieu of taxes. Coach Stockman and his crew there decided to make a run at that. I think it is a big mistake. You undoubtedly heard from the county government, not just in the West, but elsewhere. I would like to see this maintained at the current level of $103 million a year.

Mr. YATES. Mr. Udall, I don't dare contradict you in view of your statement, but I thought part of the rationale for proposing payments in lieu of taxes was the fact that the funds provided under the Mineral Leasing Act and under timber receipts were not adequate to take care of the needs.

Part of the reason for the action of the committee was that the payments to the states from receipts under the Mineral Leasing Act last year went up from $267 million to $350 million.

Mr. UDALL. There was a substantial increase there.

Mr. YATES. You also had an increase in timber receipts there?

Mr. UDALL. It is entirely fortuitous. There may be a county where you have a lot of timber. Your receipts will go up. There may be ten surrounding counties that don't get anything. The receipt formula, as I understand, goes to the counties.

Mr. YATES. It is to the states. The states are the ones that may not give it to the counties under the formula in the Act. That is part of the difficulty. The counties do need money and what we have observed is that in many instances the counties aren't getting it even when payments are made in lieu of taxes.

Mr. UDALL. You know it is a thorny and complicated problem. I have been asked by a great many of our colleagues to urgently impress this upon you. There is even talk of a floor amendment.

Mr. YATES. I can feel the pressure.

Mr. UDALL. If you are feeling the pressure, I will go on to my next point.

Land and water conservation. Only maybe you and I and President Reagan were the only ones around here when we passed the Land and Water Conservation Act.

Mr. YATES. Was he here?

Mr. UDALL. No, he was not.

Mr. YATES. I knew you and I were. I wasn't aware that he was.

Mr. UDALL. It was at President Eisenhower's initiative in 1958. Lawrence Rockefeller chaired one of the best blue blood special commissions we ever had on any subject, outdoor recreation. The heart of that whole program was the land and water conservation fund.

I don't have to tell you how well it has worked. I saw a printout in my own state of an area of dozens and dozens of places where you had an area the size of a football field, a nice facility for the local people.

It has encouraged an awful lot of parks and recreation, not just in the West, but more and more in the East as we emphasize that sort of thing.

It is incredible they are not only going to zero out this program, but that they undertake to change the law or would like to change the law as to the purposes for which this could be used.

Year after year—and you have been with us all these years—we have fought off raids on this fund. Once you get a fund, everybody wants to raid the fund. We were for outdoor recreation. This was for parks and outdoors. A lot of people said how about indoor? A lot of people have fun with bowling and gymnasiums. Every year there was a long parade of new ideas for raiding that fund. We resisted it on the grounds that the first priority in that act, that was a wise one, was let's round out the National Park System. Let's get it done, before escalation of 15, 20 percent in land prices. We can't break faith with the poor couple who got land we said was going to be a national park and now we say to hell with it. They can't collect their money; they can't make plans.

I think this is a good program and that we would make a serious mistake to cut its budget, let alone what I thought was a truly outrageous action to say we are going to transfer this sacred fund that comes out of oil revenues in the OCS and we are going to take this and transfer it to operation and maintenance. That is like any other source of money.

We had strong bipartisan support for this all of these years. I know they are tough decisions. You have a lot of decisions to make. This is one that I would hope——

Mr. YATES. You know we rejected the request of the Reagan Administration to rescind in our current bill for 1981. We haven't yet marked up for 1982, but certainly at least for 1981 we think your suggestions are very good.

Mr. UDALL. We appreciate that very much.

I think these are—the surface mining legislation. This one is really tough. It is shaping up to me to be perhaps one of the big mistakes that the Reagan Administration is going to make in the environmental field.

They are essentially cutting out the great mass of money and support and personnel we need to have if we have a strip mining law.

You need federal inspectors under the law that can go down when citizens say they are doing it the way they used to and they are poisoning the streams. You have to have a few inspectors in a nationwide program that covers 800 million tons of coal a year and billions of dollars of revenue and economic activity.

To say we will have a strip mining law and then to gut the essential funds and the people we need is a very serious mistake.

We have all the figures in the report, but they were going to cut us back to as low as 69 positions when we should be somewhere in the range of nearly 2,000 positions if we are going to do the job right.

There is a real danger strip mining laws will be repealed, not by coming up and fighting through the committee, but simply by a poor administration, no funding, all of those things.

I hope we can do something this year, particularly with the abandoned mine reclamation fund that we wrote after such great trouble, 25 cents a ton of coal going to clean up the areas in Pennsylvania and elsewhere around the country.

It is a good program. It would work. I think it is a tragic mistake to seek to undercut it the way they are here.

That is about all I have.

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

Mr. UDALL. Thank you, Mr. Chairman.

[The statement of Hon. Morris Udall follows:]

STATEMENT OF THE HON. MORRIS K. UDALL
BEFORE
THE
COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON INTERIOR AND RELATED AGENCIES
ON
FISCAL YEAR 1982 APPROPRIATIONS
Monday, May 4, 1981

Mr. Chairman, it is a pleasure to testify before you today on a number of matters of vital interest to all of us. Indeed, there probably has not been a time within the political memory of any of us here today when the deliberations of this subcommittee and the entire Congress on the Interior Appropriations bill were more critical and more difficult.

They are difficult because we must yank firmly on the choke chain of federal spending. This means that many programs and goals that we know are useful and beneficial to the American people will be hurt, some badly.

But we must go about this job intelligently because if we do not, we not only will hurt some beneficial and useful programs, we also will cripple some vital and essential programs that will cost the American people far more tax dollars down the road. The voters were promised an elimination of "waste, fraud and abuse," and they should have it. I would add that in light of the current budget realities, they have a right to elimination of spending which can sensibly be deferred or does not serve an essential need. The appropriations process must not, as some have said, be the "excuse" to achieve political ends or re-fight old political wars.

Against this background, Mr. Chairman, I would like to touch on several areas where I believe continued healthy funding is in the continued interests -- and the continued fiscal interests -- of the American people.

The Payments-in-Lieu-of-Taxes program is an excellent example. My office, and I am sure your offices, have heard many appeals from local governments that this vital program not only be maintained, but that it be increased. While I do not support intensifying the benefits of the PILT program, I am entirely in sympathy with the need to maintain funding at the current level this subcommittee approved in previous fiscal years and which, I am sorry to say, this subcommittee now has seen fit to rescind. The Administration proposal of $45 million in FY 82 funds for PILT is inadequate to prevent severe dislocations in the budgeting and operations of local governments.

Many of the counties that have written to me describe their situation as "dire," and I cannot disagree. Not only have they grown dependent on the PILT payments they have a right to expect from the federal government to help finance necessary services, but also many face severe restrictions imposed by state constitutions and statutes against replacing these revenues if they are lost. As we all know, it is the services

they provide that really hit people where they live.

Funding for the Land and Water Conservation Fund poses similar responsibilities on the Congress. We have heard reliable testimony that on the average 45 percent of all state, local and county funding for the kind of outdoor recreation people use the most -- local parks, tennis courts, ball fields and so on -- are dependent of matching grants from the LWCF. The Administration proposal to eliminate completely all such grants in FY 1982 would leave scores of recreational projects half-finished and useless -- visible monuments, if you will, to overly quick and unwise changes in budget priorities. State and local governments will complain justly of millions of their tax dollars wasted.

After careful review, my Committee has recommended that $153 million be appropriated in FY 82. This figure, we believe, is the rock bottom sum necessary to prevent the disintegration of state and local recreation programming that is dependent on LWCF. It also represents the clear change in budgetary thinking necessary in the 1980s in that the figure is almost half the four-year average.

On the federal side of LWCF, the Administration proposes to spend only $45 million next year. We all recognize the tremendous backlog of federal parkland acquisitions -- more than a billion dollars worth at today's prices. We must face up to this responsibility, not hide from it. If we don't, we will be breaking faith with the many private landowners who are expecting to have their properly acquired by the federal government and with the general public whose need for nearby recreation -- especially the kind of urban parks most prominent on LWCF federal acquisition list -- will grow more intense every year. With land prices escalating on the average of 10 to 15 percent, and 30 to 35 percent in many areas such as the Santa Monica National Recreation Area, the cost to the American people in terms of tax dollars and resources will rise steeply if we shrink away now from this important program.

Our committee has done an intensive review of lands slated for federal acquisition and identified those lands needed to honor condemnation commitments or purchase options, to meet pressing legislative timetables and to alleviate private landowner hardships.

We estimate that projects meeting these tests require an appropriation of $281,694,000 in FY 82. This is nearly $20 million below the four-year average.

Also, I am strongly opposed to the Administration request for an expenditure of $105 million from the LWCF for national park restoration and maintenance. I not that the Administration's proposed legislation to amend the LWCF to permit expenditures for this purpose is not limited to the National Park Service. It is abundantly clear to me that to accept this proposition

simply would mean an end to the LWCF as we know it. This must not be allowed to happen.

I also am concerned about funding for the Historic Preservation program. If we are looking for a program that simulates private investment, revitalizes some of our most deteriorated urban areas and returns the federal expenditure many times over in the form of new taxes and employment opportunities, this is it.

The last Congress made major new improvements in the Historic Preservation program that must not now be allowed to wither on the vine. During our deliberations on those amendments, the success of this program in city after city became abundantly clear and I fully support my Committee's recommendation of a $40 million expenditure in FY 82.

Finally, I draw your attention to funding for the Office of Surface Mining. The law administered by OSM -- the Surface Mining Control and Reclamation Act -- was the product of many years of excruciating legislative work. I believe the American people view this law as one of the shining symbols of our commitment to maintain the integrity and productivity of our land. Yet the Reagan Administration budget would seriously undercut implementation of this program if it is not significantly altered.

Four elements of the proposed OSM budget concern me. There is no compelling reason why the full amount of $161,542,000 should not be available for grants to the states from the Abandoned Mine Reclamation Fund. The Administration has proposed a figure of $46 million below that level. This reduction is not justified and provides only a "paper savings" because the fund is financed by a fixed fee on each ton of coal production. Receipts will accrue to the fund regardless of budgetary dictates.

Second the Administration proposal would reduce funding for federal inspection and enforcement so drastically that public confidence in the strip mine program would be eroded. Interim federal inspection requirements -- much heavier than those under permanent state programs -- will continue in many states at least until early next year, a factor not accommodated by the Reagan budget. The Administration plan also fails to provide for anywhere near an adequate number of federal oversight inspections in those states with the highest number of regulated facilities and the shakiest records of past strip mining abuses.

An appropriation of $17,220,000 would permit OSM to reduce its inspection force from 222 to 97, plus support personnel, which I believe would be a barely adequate figure for FY 82.

Furthermore, I am deeply concerned that the Administration proposes to end all funding for the mineral institutes program in FY 1982 ($9,640,000) and intends to discontinue the program permanently. The research and professional expertise generated by these small but well-targeted grants are needed by the U.S. minerals industry now more than ever before.

And finally, I am disturbed by the small, but significant deletion of 15 positions and $720,000 from the state technical assistance function. This money pays for the kind of detailed technical services not available to the states themselves and which are necessary to make the performance standards work in the field.

Mr. Chairman, I have several concerns related to funding for the Bureau of Indian Affairs and the Indian Health Service. I want to emphasize that while all elements of the federal budget are legitimate targets of spending reductions, cuts in the Indian programs threaten to strike at the most needy of the "truly needy" in our country. Proposed cuts must be viewed with special care in this area. With your indulgence, Mr. Chairman, I would ask that my prepared remarks and related materials on this matter be included in the record of hearings on Indian programs.

Finally, I understand that Congressman Won Pat, chairman of the Insular Affairs Subcommittee, and Congressman John Seiberling, chairman of the subcommittee that has jurisdiciton over the Trust Territory, will be making their specific requests to you next week as far as the insular areas' needs go. So all that I want to say here is that these areas tend to be hardest hit in times of austerity. They, in effect, suffer more when budgets are cut. They get cuts in their direct operating budgets and they also get cuts in the federal grant programs on which their people depend. Since their resources are so much more limited than those of any of our states, the impact of their societies is far greater. I would simply urge you, Mr. Chairman, to view their requests with great compassion in these difficult times.

STATEMENT OF MR. UDALL, CHAIRMAN OF THE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS, BEFORE THE APPROPRIATIONS SUBCOMMITTEE ON INTERIOR AND RELATED AGENCIES RELATIVE TO THE FISCAL YEAR 1982 APPROPRIATIONS FOR THE BENEFIT INDIANS AND INDIAN TRIBES

Mr. Chairman, I appreciate this opportunity to present testimony to this Subcommittee on the proposed funding for the Bureau of Indian Affairs and the Indian Health Service for fiscal year 1982.

Mr. Chairman, I would hope that this Subcommittee could, within the budget limitation it must work, fully fund the operations of the BIA and IHS as proposed in the budget submitted by President Carter. I could support that funding level without hesitation.

However, both I and the Indian community recognize the new national mood of fiscal restraint and the need for some cutback in BIA and IHS funding. Nevertheless, as the most needy of the "truly needy", the Indian people want to be assured that these cuts are reasonable and will not devastate their people and economies.

Without considering budget cuts proposed for other parts of the Federal government, the Interior Committee has reluctantly accepted most of the cuts recommended for the BIA and IHS budget by the Reagan proposal. However, as I will later note, this could change based upon the cuts in Indian programs administered by other Federal agencies.

There are specific proposals of the Reagan budget with which the Committee did take strong exception.

The Committee went on record as strongly opposing the proposed "Consolidated Tribal Government Program". The grounds for this opposition are two-fold: (1) this proposal represents a major shift in the Federal Indian policy and should be accomplished, if at all, through the legislative process which would afford the Indian tribes and the general public a full opportunity

to comment on the proposal and (2) the proposal is accompanied by a severe, unacceptable 25% cut in the available funds for these programs.

With respect to the Indian Health Service, we again feel that it should be fully funded as proposed in the January budget, but would find some cuts to be tolerable. However, there are two areas of the Reagan proposal that must be strongly resisted. The Reagan budget would cut $29,500,000 from the January budget for hospital construction. We would support the restoration of as much of these funds as the Subcommittee can within its own budget limitations. Finally, the Committee strongly opposed the Administration's intent to eliminate all IHS sanitation funds for FY 1982.

Mr. Chairman, as I earlier noted, my support for any cuts in the BIA or IHS budget must be colored by what occurs with respect to the budgets of other Departments and agencies funding Indian programs. As the members of the Subcommittee know, Indian tribes derive a significant amount of Federal funding support from these programs. These sources amount to nearly 20% of the total amount of Federal funds available to Indians.

Yet, Mr. Chairman, the Reagan Administration proposes to slash the funding for these programs. I would like to submit for the record a study made by the Council of Energy Resource Tribes of the impact of the Reagan budget revisions on Indian programs. It shows that Indian programs will, overall, be cut by 34%. If the Indian community was at the same economic and social level as the rest of the Nation, this kind of budget cutting would be devastating. With Indians at the bottom of almost every economic and social indicator, this kind of budget cutting is criminal.

Every year as the Congress begins to consider the Federal budget, the expenditure of Federal funds for Indian programs comes under attack.

Invariably, one or more of the critics of Federal Indian programs will charge, with aggrieved astonishment, that we are spending some outlandish amount of the "taxpayers" dollars for every Indian. An official of OMB, in justifying the severe cuts being made in Indian programs, asserted with an air of outrage that the Federal government is spending $12,000 for an Indian family of four. Actually, that figure is fairly accurate.

However, Mr. Chairman, I think it is important that that statistic be placed in perspective at this time, when Indian funding is in jeopardy.

My Committee staff, using data gleaned from OMB's Catalog of Federal Domestic Assistance; from the Congressional Research Service; from the Bureau of Indian Affairs; and from the 1980 Interior Appropriation Act, has developed data comparing the average per capita governmental expenditures for all citizens with the average per capita governmental expenditures for Indians served by Federal Indian programs.

This data indicates that the average per capita expenditures per Indian from all sources, Federal, State and local, and tribal, was $2,947.82 in FY 1980. the last year when complete, accurate data was available. For that same fiscal year, the national average per capita expenditure was $3,687.61. Mr. Chairman, the Indian people, whom all people generally concede are the most impoverished in this country, have been receiving 20% less in governmental services than the national population. I would like to submit for the record the information prepared by my staff in this regard.

Mr. Chairman, I sincerely hope that your Subcommittee and the other Appropriations Subcommittees who are responsible for appropriating funds for Indian programs will seriously consider this data in acting on the FY 1982 budget.

Preliminary Estimates of the Impact of Reagan's Budget Revisions on Indian Programs
(in Thousands of Dollars)

	Carter FY '82 Obligations	*Reagan FY '82 Obligations*	*Impact of Reagan Revisions*	%
I. Tribal Economic Development, Employment and Training				
Economic Development	$ 28,103	$ 6,382	$ -21,721	-77
Economic Development Training	8,453	1,000	-7,453	-88
Employment and Training	250,384	137,763	-112,621	-45
II. Indian Housing and Health Programs				
Housing	810,890	28,946	-781,944	-96
Health Services	654,892	626,819	-28,073	-4
Health Facilities	43,907	8,100	-35,807	-82
III. Indian Education, Income Security and Social Services				
Education	565,399	521,327	-44,072	-8
Income Security*	79,000	74,000	-5,000	-6
Social Services**	50,504	50,504	0	0
IV. Tribal Governmental and Legal				
Tribal Government Activities	162,066	149,682	-12,384	-8
Legal Services	6,200	0	-6,200	-100
Federal Trust Responsibilities	48,148	48,148	0	0
V. Tribal Resource Management				
Energy Resource Management	14,700	7,950	-6,750	-46
Other Resource Management	55,543	54,893	-650	-1
Agriculture Programs	27,099	25,446	-1,653	-6
Land Acquisition Programs	12,943	12,943	0	0
VI. Tribal Public and Community Facilities				
Facility Development	207,182	191,333	-15,849	-8
Public Services	3,383	3,232	-151	-4
BIA General Management	150,978	140,078	-10,900	-7
TOTALS	$3,179,774	$2,088,546	$-1,091,228	-34%

*Limited to BIA general assistance

**Excludes HHS programs consolidated into block grants

AVERAGE PER CAPITA
GOVERNMENTAL EXPENDITURES
FOR FY1980

The following data compares the average per capita governmental expenditures from all sources in fiscal year 1980 for the Indian population to the average per capita governmental expenditures for all citizens. Using an estimated Indian service population of 1,000,000 for 1980 and the 1980 Census estimate for the total U.S. population of 222,800,000, the average per capita expenditure of governmental funds for Indians in fiscal year 1980 was $2,984 as compared with the national average of $3,688. Indian people, who are generally conceded to be at the bottom of most economic and social indicators, are receiving approximately 20% less in government support than the average U.S. citizen.

GOVERNMENTAL EXPENDITURES FOR INDIANS (FY1980)

Federal Funds:		
Bureau of Indian Affairs	$1,253,182,117	
Indian Health Service	628,451,430	
Other Federal Indian Programs or Indian Set-Aside Funds	232,203,888 1/	
Other Federal Programs for which Indian Tribes are Eligible Applicants ($27,609,580,257 x 0.005)	138,047,901 2/	
Portion of Balance of Federal Budget Allocable to Indians ($564,176,582,308 x 0.0005)	282,088,291 3/	
SUBTOTAL		$2,533,973,627
Portion of Total State & Local Expenditures Allocable to Indians ($227,700,000,000 x 0.0005)		113,850,000 4/
Tribal Governmental Expenditures		300,000,000 5/
TOTAL		$2,947,823,627

Indian Per Capita Governmental Expenditure = $2,947,823,627 ÷ 1,000,000 = $2,947.82

GOVERNMENTAL EXPENDITURES FOR ALL CITZENS (FY1980)

Federal Funds	$593,900,000,000
State and Local Funds	227,700,000,000
TOTAL	$821,600,000,000

National Per Capita Governmental Expenditure = $821,600,000,000 ÷ 222,800,000 = $3,687.61

1/ Includes funds for Federal programs specifically established for Indians or for general Federal programs which includes a statutory or regulatory set-aside of funds for Indians.

2/ Includes funds for general Federal programs in which, though having no Indian set-aside of funds, Indians are specifically listed as eligible applicants. The total FY1980 amount for these programs, based on OMB's Catalog of Federal Domestic Assistance, was $27,609,580,257. The Indian share (0.005) is based on the ratio of Indians (1,000,000) to total population (222,800,000), although it is unlikely that Indians shared to that extent.

3/ Some portion of the balance of the Federal budget must be allocated to Indians. Since Indians derived very little benefit from most of the rest of Federal appropriations, a 0.0005 allocation seems realistic.

4/ Represents the Indian share of the total FY1980 State and Local budgets. Indian tribes are present in only half of the States. They represent only a very small part of the States' population and derive little direct or indirect benefit from State & local budgets.

5/ The Bureau of Indian Affairs estimates that only $110,000,000 of tribal funds were budgeted for tribal governmental programs in FY1980. However, it is clear that other tribal funds could have been made available. To err on the side of caution, that amount is increased by nearly three times to $300,000,000

WITNESS

HON. JOHN F. SEIBERLING, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Mr. YATES. Now, your bodyguard, Mr. Seiberling.

Mr. SEIBERLING. Thank you very much.

Mr. YATES. Before you start, your statement will be made a part of the record.

Mr. SEIBERLING. Thank you. I will try to summarize.

I really can't add much after the eloquence and humor of the Chairman of the Committee. I would just like to stress a couple of points.

Mr. YATES. I think you ought to try.

Mr. SEIBERLING. I wouldn't even try, Mr. Chairman. I know when I am licked.

First of all, I would like to thank this subcommittee for their initiative in rejecting the rescission proposals of the Administration.

That is extremely important if we are going to preserve any options at all for fiscal 1982. I am delighted that the full committee also backed up the subcommittee.

My subcommittee spent several days in hearings with the executive branch agencies developing our recommendations with respect to the budget. We also spent a lot of time reviewing details of their proposals and of the existing budget that President Carter recommended. We tried to—in fact, we reviewed it project by project and line by line, and when we got to the question of land and water conservation fund acquisition, we tried to continue the level at which we would avoid irreparable damage to approved programs or approved projects, at the same time recognizing the need for fiscal responsibility.

As a result, we reduced the Carter Administration's budget for land and water conservation funds by $85 million to $35, of which 228 was federal land aquisition, including Park Service, BLM, Forest Service, Fish and Wildlife Service, and 153 million for state.

I understand Mr. Lujan is going to testify here about a proposed land exchange which would enable us to eliminate another $19 million right off the top from the federal acquisition program, although he may not want to do it quite that fast.

The point is that we did very carefully go over this with a fine tooth comb, and I feel that any significant amount below the amount we recommended would produce serious problems for both the states and the federal land agencies.

Certainly the Administration's proposal, which is an indefinite moratorium on federal land acquisition and a termination of state—the state grant program would do very, very serious harm to the causes that this committee and the Congress has made clear are really in the nature of commitments.

We have made commitments to the states. We have made commitments to the people.

We are concerned about the losses of federal funds if options to purchase lands can't be exercised, if threatened—lands that are

threatened with adverse development in an improved park or a national forest would not be able to be protected.

I think that many states have similar problems.

One of the things we did do—and it was at the initiative of the minority in our committee, and I invite your attention to page 68 of the minority view, although the full committee approved them, was to recommend an immediate development and implementation of a plan to eliminate over a period of four to five years the backlog of authorized but incomplete projects coming out of the land and water conservation fund on the federal side.

We had various estimates, but the estimate currently was that it would take about a billion and a half dollars to eliminate that backlog and if we authorized a flat amount each year or had a concept of having a plan to have a flat amount each year, allocated to that program, we could eliminate that backlog and the thought was that we should be very, very stingy about approving any new land acquisition projects until that backlog is eliminated.

That certainly would be consistent with the idea of trying to curb government spending during this period of stringency. I know the Chairman himself has been very concerned about adding new projects over the ones we have already committed to, and there may be cases where, because of the need to straighten out a border here and there, or provide a workable unit, we are going to have to acquire some additional land.

I was looking at one just a few weeks ago, the so-called Congery Swamp where we approved one acquisition of a single tract which incorporated most of it, but the boundaries did not conform to the natural boundaries of the area.

With that exception, I support the minority view that we ought not to approve a lot of new park projects until such time as we clean up the backlog.

I would like to go to the urban parks program which we recommended $40 million for, which is $35 million less than the Carter budget recommended. Somebody might say, well, in an era of stringency, why should we be supplying any funds for rehabilitation of urban parks?

Well, the answer is that that takes a lot of the load off the Federal government in terms of supplying these themselves and obviously provides a service. I am told that a lot of communities, including my own that have made use of those funds, could not have found any other funds to do that.

The historic preservation fund the Administration proposed to wipe out entirely and to fund the—to terminate all federal participation except for funding of the national trust for historic preservation, the committee again recommended a level of $40 million, which is what we recommended for historic, for urban parks. There was a feeling that to go below that would give the states no incentive to participate in the historic preservation program which we set up only last year in our historic preservation act amendments, giving the states an incentive to conduct an inventory and to pass through to local governments money to do the same.

Going below $40 million I think would make it almost a useless program.

While I am here, I would like to also put in a word for the Youth Conservation programs which, as you know, the Administration would virtually terminate.

The Park Service and the Forest Service have made tremendous use of these programs, particularly the Youth Conservation Corps, and the Young Adult Conservation Corps.

If we fail to provide funds for that, why we are simply going to add to the neglect of the Park System.

This isn't mentioned in my prepared statement, but I would like to point out to you that we recommended $99.9 million, sort of a bargain sale figure, for the Trust Territories of the Pacific.

The Carter budget had $93.7. We cut out 18 from their budget, but we added 24 for other purposes. The 99.9 is too low. It doesn't provide any money, for example, for a new capital for the Federated States of Micronesia, even though they desperately need one. They are using the capital of the regional grouping and you can imagine the kind of conflict if the Federal government had to share the capital with one of the states.

That is the problem that we did not solve by the budget we recommended, but the budget we did recommend is an absolute bare bones budget.

We are not even taking care of the people who have been displaced from Bikini by our actions in the Bikini tests and the recent finding, a couple of years ago, that the islands are still not fit for habitation and will not be for probably another century.

So we need to provide some relief for the distress that these people are suffering as a result of our own defense program.

Mr. Chairman, I have no further comments on my own. I hope you can see fit to support our recommendations.

Mr. YATES. Thank you. Mr. Seiberling your statement may be made part of the record.

[The statement of Hon. John Seiberling follows:]

STATEMENT OF CONGRESSMAN JOHN F. SEIBERLING, CHAIRMAN, HOUSE INTERIOR SUBCOMMITTEE ON PUBLIC LANDS AND NATIONAL PARKS

Mr. Chairman, and members of the Subcommittee on Interior Appropriations: as chairman of the Interior subcommittee with direct responsibility for the Trust Territory of the Pacific Islands (TTPI), I am submitting for the record my views regarding the fiscal 1982 budget for the TTPI.

First let me note that on Wednesday, March 11, 1981, the House Interior Committee approved a total budget of $87,878,000 for the TTPI. (This was $12 million down from the total of $99,878,000 that my Subcommitte on Public Lands and National Parks actually sought for the TTPI in fiscal 1982.

Following is how we recommended that the total of $87,878,000 be budgeted: to the Reagan budget of $72,500,000 for the TTPI, we would add the following items:

To cover the increase in fuel costs, we recommended that $1,900,000 be added to the budget. As you will hear from the different individuals' testimony, fuel costs are playing absolute havoc with the budgets of all the political entities in the Trust Territory and an end to the rising prices is nowhere in sight.

In the last Congress, Public Law 96-597 was enacted. It contains a provision authorizing the Secretary of Energy, in consultation with the Secretary of Interior, to develop for each of the insular areas, including the Federated States of Micronesia, the Marshall Islands and Palau, a comprehensive plan on renewable energy resources such as solar, wind, hydropower, ocean current and tidal, and ocean thermal energy conversion.

Unfortunately, DOE failed to include any money in its fiscal 1982 budget for this project, and while it has come up with about $150,000 in reprogrammed money to begin the study, we are concerned that that amount will not take it very far and as you will hear from others, this is a crisis situation that demands immediate and aggressive action in seeking a solution.

To hasten the completion of these comprehensive energy plans, we are doing two things:

1. We intend to introduce a bill that would include a provision to shift the total responsibility for development of these plans from the Secretary of Energy to the Secretary of Interior. We believe that by bringing the program back to Interior, where it was in the House version of H.R. 8444 that became P.L. 96-597, we can better control the speed at which the plans can be completed since the Interior Department is under our jurisdiction; and

2. We are seeking $1 million in fiscal 1982 for the study as set forth in P.L. 96-597.

Also, related to the energy crisis is one other add-on that we seek funding for, and that is for a feasibility study for hydroelectric power generation in Kosrae, which is in the Federated States of Micronesia (FSM), and in Palau. It is thought that both of these areas have great potential for the development of hydrolectric power and that this should be explored as quickly as possible.

It might be noted here that money has already been authorized for such a study in Ponape, and hopefully the study is now underway. Its outcome is anxiously awaited as some of the Ponapeans in town for the hearings report that Ponape's generators have been out a great deal lately and Ponape consequently has been experiencing blackouts most of the time in the last few weeks. This is one more reason why alternative sources of energy must be explored. It also points up the need for maintenance in the TTPI.

Speaking of maintenance, the Interior Department has finally completed its comprehensive study on operations and maintenance in the TTPI, a seven-volume study. My committee has just received a copy of this document which certainly should help all of us to make in the future some highly informed decisions regarding the subject.

We're seeking another $1,778,000 for enhanced maintenance operations. This additional money is needed to cover the cost of overhauling the generators in the TTPI, hiring experts to train Micronesians how to maintain and operate everything connected with the infrastructure, training Micronesians, and stocking spare parts for machinery and equipment. (I might note here that the in-depth study which Interior just completed specifies that the public works budgets for all three entities need to be increased by a total of $8,876,000 for fiscal 1982 in order to provide adequately for operations and maintenance.)

Another $2.3 million we request for operations at the TTPI headquarters in Saipan and for the three entities of the FSM, the Marshalls and Palau. This money would restore the cuts in operations in the Reagan budget in such key areas as health, education and public works.

For the rehabilitation of the hospital in Truk, we seek $1.9 million. The hospital, which services all 39,000 people of Truk, is in critical need of rehabilitation. Its deterioration has reached the point where the building structure, electrical system, plumbing and equipment are all in terrible disrepair, thus making it impossible to provide hygenic conditions for patients in the hospital. We're sure you will agree with us that such a state of affairs is something the United States, as the trustee of these peoples, cannot tolerate, and we hope that your subcommittee will find the funds to correct this dangerous, not to say disgraceful, deficiency before it results in a public disaster.

And speaking of hospitals, in general, we are concerned because we hear that other hospitals, besides the one in Truk, are having trouble coping with leaky roofs, drug shortages, a lack of medical doctors and technicians, and a lack of maintenance funds and personnel, to mention a few problems.

We understand that the public health program which provided doctors and specialists and other medical technicians is being terminated out there and the impact on health services in the TTPI will be severe.

Moreover, the cost of medical referrals, that is, patients with complications who must be referred to a hospital outside the TT such as Tripler in Hawaii or the Guam hospital has been soaring. (After fuel costs, this has probably had the most adverse impact on TTPI budgets.) The problem needs to be explored to see if money couldn't be saved by taking such actions as upgrading the medical staffs of the TT hospitals so that fewer people would need to be sent outside the TT, and improving radio communications among the islands so that many medical expenses might be avoided by being able to communicate with experts when an emergency arises. We also understand that such diseases as leprosy and tuberculosis are on the increase in the TT but have no information on what is being done locally to cope with this.

For the victims of U.S. nuclear tests in the Northern Marshalls, we seek $300,000 for the Enewetak people for food costs and for the shipping of food to the Enewetakese.

76-703 0 - 81 - 47 (6b)

For the Bikini people, we seek $2 million in rehabilitation funds. We understand that the last of the money appropriated for the Bikini rehabilitation fund is now being used to build a much needed airstrip on the island of Kili, where most of the Bikini people live. This $2 million would cover such costs as those of food supplies, plantings, housing and any emergencies that might arise. In general, the money is sought for continuing life support for these people who, through no fault of their own, are unable to return to their home atoll of Bikini because of continuing high levels of residual radiation.

While on the subject of the victims of U.S. nuclear tests in the Pacific, we would like to touch on the subject of the health program Congress authorized in 1980 to benefit the victims of the four atolls of Bikini, Enewetak, Rongelap, and Utirik. The program was contained in Public Law 96-205, section (b)(1), which directed the Secretary of Interior to submit to Congress *no later* than January 1, 1981, a plan for the health care of the people from these four atolls. Due to some kind of bureaucratic internal squabbling, no such plan was ever submitted to the Congress by the outgoing Secretary of Interior of the Carter administration.

We would hope that as soon as the Reagan administration has nominated its selection for Assistant Secretary in charge of the Insular Areas, that this person would establish as a number 1 priority the task of getting the Department of Interior and the appropriate parties to work at producing the congressionally mandated plan for the health care of the people from these four atolls.

Additionally, the Department should establish criteria for determining whether any of the people of other atolls have been exposed to radiation from the nuclear weapons testing program.

In late 1979 several storms devastated Majuro in the Marshalls. We are requesting $3 million towards the repair of this damage, including fixing the shoreline and roads and unblocking the causeways. This is but part of the money it is estimated it will cost to restore Majuro.

For the College of Micronesia, two items are included in our request for additional funding: we seek $300,000 for the operations of the College and $400,000 for architectural and engineering costs for the construction of a new College of Micronesia in Palikir, Ponape. The College of Micronesia faces a loss of its accreditation later this year if some kind of commitment is not made to do something about the deteriorating facilities it is now housed in. (We have just been informed that approximately two weeks ago the men's dormitory at the College burned down so this simply adds to all their problems.)

In 1976 Congress authorized funds for the construction of a new campus for the Community College of Micronesia. For a variety of reasons—lack of curriculum, lack of coordination among the three entities as to whether or not the College would be supported by all three, etc.—neither the Department of Interior nor the Congress had sought funding for the school. However, this has now changed. We understand that the problems mentioned above have been resolved among the three entities and that the High Commissioner of the TTPI did seek funding for the school in fiscal 1982 and that he was supported by the Department of Interior, but that OMB removed the money. The committee believes it is time to make a commitment of money to the school and we are therefore seeking the $400,000 for the A/E work. We hope that this action will convince the Accrediting Commission of the Western Association of Schools and Colleges that Congress hopes to follow through with providing for an adequate and permanent campus at Palikir and that it will therefore not take away the College's accreditation this year or any other year, for that matter.

And that concludes the items that we are recommending be added to the Reagan Trust Territory budget of $72,500,000.

As far as the trusteeship goes, it is likely that termination will take place sometime in the next three or four years. Before that happens, we believe it is essential that certain basic needs of the people of the FSM, of Palau and of the Marshalls be satisfied so that the United States can say with confidence that it has fulfilled its responsibilities as trustee and has provided these people with the infrastructure and the education and, in general, with the tools necessary to enable them to grow and prosper on their own. To that end we still have some distance to travel. We realize that your subcommittee is facing enormous difficulties in trying to find money to take care of the most pressing concerns within your jurisdiction. We understand that you will have to make many hard and unpopular decisions. But

you have done well by the people of the Trust Territory in past years and we are confident that you will do so once again.

LAND ACQUISITION

WITNESS

HON. JIM SANTINI, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEVADA

Mr. YATES. Mr. Santini.

Mr. SANTINI. Good morning, Mr. Chairman.

Mr. YATES. Good morning to you, sir.

Mr. SANTINI. I appreciate this opportunity to summarize the statement. I would respond to any questions you might have.

Moving to the subject at hand, there has been for some long time in my concerns for the Nevada land situation a reality of 87 percent federal land. 85 percent of the land in Clark County, where Las Vegas is located, is federal. Much of that land is non-multiple use land simply retained in Federal inventory because it is convenient to do so.

At the other end of the state we had Lake Tahoe, a lake regarded as a national treasure. There has been a deterioration of 13 percent of the water quality in recent years due to several contributing factors, among them the construction on environmentally sensitive areas of that lake. In conjunction with Mr. Burton, not a notable enthusiast for the sagebrush rebellion, but an appreciator of the practical reality of the problem in the Las Vegas Valley and the problem in the Tahoe basin, I hammered out the so-called Santini-Burton land purchase of environmentally sensitive land in the Tahoe basin.

Our legislation has caps on it in terms of the amount of land to be sold. It has descriptive limitations in terms of what kind of land can be sold. It passed the House suspension calendar by an overwhelming margin, having received the uniform approval of almost everyone concerned or interested in this subject matter. The bill was signed into law in late December 1980

The BLM has proceeded already with Las Vegas Valley sales under the Santini-Burton bill, $80,000 has been received under it. The Forest Service is proceeding ahead to define the environmentally sensitive lands at Lake Tahoe and will in June of this year specify those areas in the Tahoe basin that would qualify under the descriptive terms of the legislation.

I think we have created here an imaginative and perhaps alternative response to the challenge that we face in the Congress of reducing Federal expenditures, because it joins together, I think, rather effectively, two concepts: that is, restoring land to private ownership that quite obviously ought to be in private ownership on the one hand.

On the second hand, taking the revenues from those Federal land sales and investing them directly into the Federal land acquisition of private land which ought not to be developed. I believe that the concept has viability and potentiality in several different arenas.

Mr. YATES. How much money is involved?

Mr. SANTINI. $10 million this year.

All monies are to be repaid to the Federal Treasury. The net treasury loss is zero. I think the future gain is substantial because we will improve on an existing Federal land recreation area while we are selling Federal land in an urban area which needs to grow. Tying the two together as the author of the negotiation, I suppose I am subject to some bias in interpreting its imagination and genius, but I think it represents a very innovative way to go about trying to reach into the very difficult problem that you have with diminishing land and water conservation funds.

Mr. YATES. We will look at it very carefully, Mr. Santini.

Mr. SANTINI. Thank you, Mr. Chairman.

[The statement of Hon. Santini follows:]

TESTIMONY OF CONGRESSMAN JIM SANTINI

BEFORE THE SUBCOMMITTEE ON INTERIOR OF THE HOUSE

APPROPRIATIONS COMMITTEE IN SUPPORT OF FUNDING

PL 96-586 KNOWN AS THE SANTINI-BURTON BILL

MAY 4, 1981

CHAIRMAN YATES AND MEMBERS OF THE SUBCOMMITTEE, I APPRECIATE THE OPPORTUNITY TO APPEAR BEFORE YOU TODAY IN SUPPORT OF FUNDING FOR PL 96-586, WHICH I WILL REFER TO AS THE SANTINI-BURTON BILL. WITH YOUR INDULGENCE, I WOULD LIKE TO GIVE YOU SOME BACKGROUND ON WHAT I FEEL IS A UNIQUE AND CREATIVE APPROACH TO FEDERAL LAND ACQUISITIONS IN A TIME OF FISCAL AUSTERITY.

WAY BACK IN 1977 AND 1978 I BEGAN TO LOOK AT TWO SEVERE AND QUITE DIFFERENT LAND MANAGEMENT PROBLEMS IN THE STATE OF NEVADA. IN URBAN SOUTHERN NEVADA, POPULARLY KNOWN AS THE LAS VEGAS VALLEY, THERE ARE HUNDREDS OF PARCELS OF BUREAU OF LAND MANAGEMENT PROPERTY WHICH BLM CANNOT MANAGE AND WHICH IMPEDE THE ORDERLY GROWTH OF LAS VEGAS. IN SOME CASES WHAT WE HAVE ARE REALLY VACANT CITY LOTS BEING USED AS TRASH DUMPS AND ABANDONED CAR LOTS. TO THE OTHER EXTREME, WE HAVE THE BUREAU OF LAND MANAGEMENT CONTROLLING 150 ACRES OF THE LAS VEGAS STRIP. THIS URBAN FEDERAL LAND PROBLEM, AS YOU KNOW, IS REFERRED TO AS "CHECKERBOARDING." IT ISN'T GOOD FOR THE CITY AND IT ISN'T GOOD FOR THE FEDERAL LAND MANAGER. IN MANY CASES, THESE PARCELS OF URBAN FEDERAL LAND LIE IN RESIDENTIAL AREAS AND VALUES HAVE BEEN ENHANCED BY LOCAL SEWERS AND SERVICES.

NOW ON THE OTHER END OF MY STATE AND IN CALIFORNIA TOO, THERE IS ANOTHER LAND PROBLEM OF AN ENTIRELY DIFFERENT NATURE. WE HAVE LAKE TAHOE WHICH IS ONE OF THIS NATION'S NATIONAL TREASURES. THIS IS AN ALPINE LAKE WHICH IS STILL ONE OF THE PUREST IN THE WORLD. BUT IT IS IN DEEP TROUBLE. OVER THE LAST TEN YEARS, LAKE TAHOE'S WATER CLARITY HAS DECLINED ABOUT 13 PERCENT. THIS ALARMING TREND HAS BEEN CAUSED BY OVERDEVELOPMENT OF HIGHLY ENVIRONMENTALLY SENSITIVE LANDS IN THE LAKE TAHOE BASIN. SECOND HOME DEVELOPMENT, ROAD EROSION, AND YES, INCREASED TOURISM HAVE ALL CONTRIBUTED TO THE POLLUTION OF LAKE TAHOE. THERE REALLY IS MORE THAN ENOUGH BLAME TO SPREAD AROUND FOR THE DEGRADATION OF ONE OF AMERICA'S MOST BEAUTIFUL NATURAL RESOURCES.

IN AN ATTEMPT TO SOLVE THESE TWO DIVERGENT LAND MANAGEMENT PROBLEMS, IN 1980 CONGRESSMEN PHILLIP BURTON AND JIM SANTINI JOINED IN THE ODD COUPLE MATCH OF THE YEAR AND TRIED TO TURN TWO PROBLEMS INTO TWO SOLUTIONS. WE INTRODUCED THE SANTINI-BURTON BILL. THIS BILL PASSED LAST YEAR ONLY AFTER A CONSIDERABLE AMOUNT OF NEGOTIATION, BLOOD, SWEAT AND TEARS BY MR. BURTON, MYSELF AND THE OTHER MEMBERS OF THE CALIFORNIA AND NEVADA DELEGATIONS.

THE SANTINI-BURTON BILL IN ESSENCE DIRECTS THE SALE OF URBAN CHECKERBOARDED FEDERAL LANDS IN THE LAS VEGAS VALLEY AND USES INDIRECTLY THE PROCEEDS TO PROVIDE FOR FOREST SERVICE PURCHASE OF PRIVATE, ENVIRONMENTALLY SENSITIVE LANDS IN THE LAKE TAHOE BASIN

IN BOTH CALIFORNIA AND NEVADA. OUR GOAL IS TO PUT INTO FEDERAL OWNERSHIP LAND WHICH SHOULD NOT BE DEVELOPED AND TO TAKE OUT OF FEDERAL OWNERSHIP LAND WHICH SHOULD BE DEVELOPED. AND WE DEAL WITH THESE PROBLEMS WITHOUT CREATING ANOTHER FEDERAL PROGRAM AND WITHOUT DEFICIT SPENDING.

THE TECHNICAL AND PROCEDURAL REQUIREMENTS OF THE SANTINI-BURTON BILL, HOWEVER, REQUIRE THAT WE RUN THE APPROPRIATIONS REQUEST FOR FEDERAL LAND ACQUISITION AT LAKE TAHOE THROUGH THE LAND AND WATER CONSERVATION FUND. INSTEAD OF A DIRECT FLOW-THROUGH OF MONIES FROM LAS VEGAS VALLEY LAND SALES, WE SIMPLY PLACE THE SALES REVENUES IN THE U.S. TREASURY AND CONSIDER THEM AS REPAYMENT FOR LAND ACQUISITION MONIES AT TAHOE WHICH MUST BE APPROPRIATED BY CONGRESS. LET ME UNDERLINE AT THIS POINT, THAT ALL MONIES APPROPRIATED UNDER THE SANTINI-BURTON ACT ARE REQUIRED TO BE PAID BACK BY 1995 FROM SALES OF LAND IN THE LAS VEGAS VALLEY. NO DEFICIT WILL BE CREATED. SANTINI-BURTON WILL HAVE A ZERO NET EFFECT ON THE BUDGET.

AS THIS SUBCOMMITTEE PROVIDES MONEY FOR THE LAND AND WATER CONSERVATION FUND FOR FY 1982, I URGE YOU TO SET-ASIDE $10 MILLION SPECIFICALLY FOR THE SANTINI-BURTON ACT. THIS AMOUNT IS LESS THAN HALF OF THE AMOUNT AUTHORIZED BY PL 96-586, AND IT WILL ALL BE REPAID. MY UNDERSTANDING IS THAT LAND SALES IN THE LAS VEGAS VALLEY ARE BEGINNING AND MONEY WILL GO TO THE TREASURY. OVER A TEN YEAR PERIOD, I EXPECT THAT THE LAND SALES AUTHORIZED BY PL 96-586 WILL GENERATE FROM $100 TO $150 MILLION DOLLARS OF REVENUE AND THESE FUNDS, BY LAW, ARE CONSIDERED REPAYMENT FOR FOREST SERVICE ACQUISITIONS AT LAKE TAHOE.

REGULATIONS FOR REVENUE-GENERATING SALES HAVE ALREADY BEEN ADOPTED AND THE BUREAU OF LAND MANAGEMENT INFORMS ME THAT THE LAND SALES PROGRAM IN URBAN LAS VEGAS IS MOVING ALONG RIGHT ON SCHEDULE WITH MAJOR SALES BEGINNING BEFORE DECEMBER OF 1981. ON THE OTHER END, THE FOREST SERVICE HAS HELD HEARINGS AND IS IN THE MIDST OF PREPARING A MAP FOR FEDERAL ACQUISITION IN THE LAKE TAHOE BASIN. TO PLACE A PRIVATE PROPERTY ON A FEDERAL LAND ACQUISITION MAP WILL CREATE A HARDSHIP UNLESS WE ALSO PROVIDE THE FUNDS TO ACTUALLY ACQUIRE THESE LOTS.

MR. CHAIRMAN, I REALIZE THE ARDUOUS TASK YOU ARE FACED WITH AS THIS CONGRESS TRIES TO GET ITS FISCAL HOUSE IN ORDER. I KNOW THE PROCESS IS PAINFUL AND THE CHOICES ARE DIFFICULT. I BELIEVE A STRONG CASE CAN BE MADE TO GIVE THIS PILOT FEDERAL LAND ACQUISITION PROGRAM A CHANCE TO WORK. WITHOUT THE APPROPRIATIONS FROM YOUR COMMITTEE, THE LAS VEGAS VALLEY LAND SALES WILL PROCEED. BUT WE'LL ONLY HAVE HALF A PROGRAM, AND NOTHING WILL BE DONE FEDERALLY TO PROTECT LAKE TAHOE.

YOU HAVE BEEN VERY PATIENT TO HEAR ME OUT ON THIS REQUEST. I THANK YOU FOR YOUR TIME AND CONSIDERATION.

BOUNDARY WATERS CANOE ACT/METRO RIVERS CORRIDOR STUDY COMMISSION—PUBLIC LAW 96-607

WITNESS

HON. BRUCE F. VENTO, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. YATES. Mr. Vento. It is nice to see you.

Mr. VENTO. Good morning, Mr. Chairman.

We have a word or two in here with regard to that all-important segment of boundary waters.

Obviously the subcommittee is faced with crucial decisions this year. I want to state my support for the conservation systems of the recreation-based programs that are in the Parks and Conservation Program.

I strongly agree with the Chairman of the Interior Committee in his view of the dissemination of that particular fund.

There are two programs specifically, Mr. Chairman, that I am concerned about. One, of course, as you mentioned in welcoming me to the subcommittee, is the BWCA appropriation consideration, and we, of course, have had, I think, a unique experience with this program.

It has been, I think, very successful in terms of keeping the commitments. We feel in the consideration of the 1982 budget that this should be a high priority for the Interior Appropriations Subcommittee.

Of course, at the heart of that is trying to maintain harvestable wood for development over the next ten years. As my colleague, Congressman Oberstar alluded to previously, nearly 37.6 million seedlings are ready to be planted in those areas.

By comparison, the state had only planted 4 million seedlings for other areas. We are all geared up to deal with that to carry out the intent of this language with the Federal participation.

In a document supporting this, the State of Minnesota estimated the program will return on the average at least $1.25 for each dollar expended during the life of the program. So I think that it makes good economic sense as well as meeting our commitments, Mr. Chairman.

The second crucial point in this legislation, of course, is the acquisition program carried out by the Forest Service under the Boundary Waters Act of 1978. On a voluntary basis, specific resort owners could require the Federal government to purchase their property. That program has gone forward in an orderly manner. There are about twelve of the 26 that are under consideration for that from a negotiation standpoint and six have already been purchased. We hope that the committee will carry forward on that particular commitment, making the resources available. In the House Interior Committee, we established four criteria which we hope that you would look at when a program should be eligible for acquisition. That is when there is an option to purchase provided in the law, when there are acquisition timetables, when there is a national significance from immediate threats to the resource, and

when the funds are needed to alleviate hardship requirements for private landowners within authorized boundaries.

These two aspects of the Boundary Waters Canoe Area Act, I think, are priority issues. We hope you will respond as you have in the past. I think it has been, as was noted by my colleague, that this subcommittee has really helped us carry through on the commitments made in this law.

I would also like to call attention to the need for a coordinated approach on a different issue. That is in the St. Paul/Minneapolis metropolitan area, the Three River Corridors in that area. We are blessed with having three major rivers run through our area, the Mississippi, the St. Croix, and the Minnesota River.

Last year in recognition of that, the Congress passed a Metropolitan Area River Corridor Study Commission. It is an important initiative because it recognizes that we as federal policymakers have major decisions in these areas. We have extensive Corps of Engineers activity. We have created a large Wild Scenic River designation on the St. Croix as well as a National Wildlife Refuge and National Recreation area on the Minnesota River.

I think it is important that federal government be involved in the review of these land parcels. The amount of commitment in this in terms of dollars is very small, but I think our role here will be key to the success of providing some policy direction for Congress in the future with regard to these parcels.

It is an urban area of over two million people. These represent, of course, a very significant resource.

I hope you, Mr. Chairman, would authorize staff to work with my staff and others interested on appropriate ways to accommodate what is rather a modest request for implementation of the study commission.

We have traditionally had a metropolitan council in the area that has a long history of success. I think the Federal government really should be involved, as I said, from the Corps of Engineers standpoint, from the Interior standpoint, in terms of setting in place what policy decisions will be with regard to the use of these river resources.

Mr. Chairman, I would be happy to respond to further questions or offer support where I can.

Mr. YATES. Thank you for a very interesting statement. Your written statement will be made a part of the record.

Mr. VENTO. Thank you, Mr. Chairman.

[The statement of Hon. Bruce Vento follows:]

STATEMENT BY CONGRESSMAN BRUCE VENTO

Mr. Chairman and Members of the Subcommittee, I would like to thank you for the opportunity to testify before you today. Obviously, the Subcommittee is faced with many crucial decisions which will affect the future of our national conservation systems and other recreational-preservation programs such as urban parks, historic preservation, and the Land and Water Conservation Fund. I strongly urge the Subcommittee to maintain its commitment to these programs. History has amply demonstrated the significant value of these efforts in terms of protecting our national resources, treasures, and heritage and providing the American people with a wide variety of recreational opportunities both close to home and throughout our country. Your support for these programs has been appreciated and your continued commitment to the viability of these programs is supported not only by your Colleagues but by the American people.

I wish to testify today on behalf of two programs which have a significant impact on recreation in Minnesota and the preservation of two unique resources in that state.

The Boundary Waters Canoe Area Wilderness is a national treasure. Congress recognized that fact when it included the BWCA in the organic Wilderness Act and during the 95th Congress, when it responded to threats that resource by overwhelmingly approving Public Law 95–495, the Boundary Waters Canoe Area Wilderness Act. As you are aware, that legislation prohibited the furthe logging in the BWCA, addressed the issue of mining in the area and limited motorized use in this highly popular wilderness area.

The implementation of this legislation has been successful in reaching many of the goals that were set forth by Congress. I believe that this success is due in large part to the efforts and continuing support of your Subcommittee.

I am certain that all too often the Subcommittee hears reports of how valuable federal funding is misused or ineffective. I would now like to report to you on programs where federal assistance and funding have been fully and wisely utilized.

In considering the legislative proposals on the BWCA, there was agreement by all parties that logging should not continue in the wilderness and that, because of this ban, a coordinated state-federal-private program of intensive reforestation should occur in lands throughout northeastern Minnesota. To carry out this program, Congress authorized and has appropriated $3,000,000 annually in matching grants to the state. This funding has been utilized in a most ambitious program for reforestation.

The Minnesota Department of Natural Resources Forestry Division has put this money to good use. Under its program, the Division of Forestry has two principal goals—to maintain current levels of harvestable wood for the next ten years and to improve productivity on existing forest lands to maintain or increase harvesting levels into the 21st Century. An integral part of this program is the increase in the number of new trees to be planted. The State now has 37.6 million trees ready to be planted on state, federal and private lands around the BWCA. In comparison, only 6.4 million seedlings are to be planted in the rest of the state. Besides this ambitious program of new plantings, the State Forestry Division is also implementing programs to improve harvesting and milling techniques for increased recovery of fiber.

A thorough economic analysis reveals the true value of this program. The State of Minnesota has estimated that this program will return, on the average, at least $1.26 for every dollar expended during the life of the program.

Despite the commitment of the State, the already substantial investment by the federal government and the obvious financial success that this program represents, the Reagan Administration has proposed to terminate this effort. The impacts of such an action will be most significant. The State Forester has informed me that unless adequate funds are available, those 37.6 million trees will not be planted. Rather they will have to be plowed under. The State of Minnesota has already made its matching hare of the grant available for fiscal year 1982 and I urge the Subcommittee to continue this valuable program by appropriating the full $3,000,000 authorized.

A second crucial program for the proper implementation of P.L. 95–495 is the acquisition program carried out by the Forest Service. As you may be aware, P.L. 95–495 provided that, on a voluntary basis, specific resort owners could require that the federal government purchase their property. The intent of this provision was not only to guarantee a buyer to those resort owners, who could not or would not adjust to the new clientele attracted by the law, but also to protect the resource. By directing the Forest Service to purchase these properties Congress was relieving the pressures on the resource for motorized use. The purchase of the resorts and the right of first refusal on other land were clearly intended to guide the development of new resourts or demands for non-wilderness related activities. Under the previous appropriations, this acquisition effort has proved to be most successful. Of the nineteen resorts that have requested purchase thus far, six have been purchased and negotiations are underway for the rest. In addition, the Forest Service is also acquiring crucial inholdings that threaten the wilderness.

During the consideration of the fiscal year 1982 budget, the House Interior Committee established four criteria to determine whether a program should be eligible for acquisition.

These criteria were:

(1) The funds were needed to honor commitments for condemnation or options to purchase.

(2) The funds were needed to meet legislatively imposed acquisition timetables.

(3) The funds were needed to protect areas of national significance from immediate threats to the resource.

(4) The funds were needed to alleviate hardship requirements for private landowners within authorized boundaries

Based on the Interior Committee's consideration, the BWCA met all four tests.

I believe that it is important that Congress maintain its commitment to proceed with the implementation of P.L. 95-495. The $3,000,000 grant program for reforestation and $2.5 million for acquisition are keys to the effective management of the BWCA. Congressman Oberstar and I have discussed this matter and agree that priority consideration be given to these efforts. I hope that the Subcommittee will agree.

I would also like to bring to the attention of the Subcommittee a new program which was authorized last Congress in P.L. 96-607.

During the consideration of this measure, Congress reemphasized its commitment to encouraging the development of recreational resources close to large urban populations. With rising energy and vacation costs it has become more and more important to direct federal recreation policies to meet urban needs. Congress has recognized this need and has initiated strong legislative programs to reach these goals. Obviously the creation of new urban parks, such as the Lowell National Historic Park, is one necessary approach. However, often times recreational opportunities already exist and what is truly needed is a coordinated approach to enhance these resources. Such is the case with the St. Paul-Minneapolis metropolitan area and the three river corridors in the area. The Twin City area is most fortunate to have the Mississippi, St. Croix and Minnesota Rivers traverse through the region. These rivers have played important economic and historic roles throughout the development of this region and today these rivers represent a most significant recreational resource. Under the current system, these river corridors offer a variety of recreational opportunities under state, local, county and federal jurisdiction. This hodge-podge has hampered the maximum utilization of these resources.

To establish a coordinated approach towards the management of the river corridors, Congress established the Metropolitan Area River Corridors Study Commission. This federal-state-local Commission is to develop recommendations for the management of these recreational resources to submit to Congress and other the appropriate governmental bodies.

I believe that it is important that the federal government maintain a voice in this Commission. Not only does the Commission further Congressional commitment to developing recreational resources, but also maintains our federal interest in the river corridors.

Congress has already recognized the recreational resources of the St. Croix River, through designation of the Upper and Lower St. Croix as Wild and Scenic Rivers and of the Minnesota River, through the creation of the Minnesota Valley National Wildlife Refuge and Recreation Area.

Federal involvement extends beyond park management. The Corps of Engineers plays a significant role in transportation activities along all three rivers and is a most crucial factor on the Mississippi.

I believe that federal involvement in the Study Commission is essential in recreational and economic terms. The Study Commission offers the potential for the development of a coordinated management approach for the multitude federal-state-county and local agencies involved with the resources of the three rivers.

I urge the Subcommittee to appropriate the $150,000 authorized to initiate the work of the Commission. The local appointees have already begun to meet and it is important that federal input be made. I also hope that you, Mr. Chairman, will authorize your staff to work with mine to develop the appropriate legislative language for this issue.

I want to thank the Committee again and hope that you will give every consideration to the issue which I have raised.

LAND ACQUISITION—SANDIA NF

WITNESS

HON. MANUEL LUJAN, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW MEXICO

Mr. YATES. Mr. Lujan, welcome to the committee.

Your statement will be made a part of the hearing record.

Mr. LUJAN. Thank you, Mr. Chairman. I am here on my favorite subject, the Elena Gallegos land grant, which we have discussed on a number of occasions, but which I do not find a lot of enthusiasm for throughout this Congress.

Here I am to share with you what at the moment appears to be some good news. Since the last time you heard testimony on our efforts to acquire the land, I have been attempting to come up with a way to bring the land into federal jurisdiction outside the appropriation process, and I think I have found an answer.

With luck and perserverance, I think we can bring about a land exchange between the owners of the land, the Albuquerque Academy on one hand, and the Bureau of Land Management and the Forest Service on the other.

This deal is showing great promise and all of the parties involved are working to fulfill the terms of the option agreement signed by the city.

As the situation now stands, the Board of Trustees is considering an offer of some parcels of BLM and Forest Service land near the City of Albuquerque, land that has the potential for appreciation and which, because of its location, no longer should be in public hands.

Let me point out that I prefer the land exchange procedure to the appropriation process. While there is no such thing as a free lunch, this approach is the most satisfactory from all perspectives, including minimum cost to the government. We acquire land that should be in public ownership, while at the same time we transfer land suitable for development to the private sector.

My purpose in being here today actually, therefore, is twofold: To inform you of developments since my last appearance, and to recommend that you keep in mind the idea that a small appropriation may be needed to completely fulfill the terms of the option agreement.

As you know, in land exchanges there must be value given for value received and it is possible to complete the exchange by including a small amount of money to equalize the flow.

I do not know whether this will be the case in this situation, but if it is, I would appreciate consideration being given to appropriating enough money to complete the transaction.

I will keep you fully informed on this, and I look forward to the time I can tell you that we brought this off with everyone coming out a winner.

Thank you.

[The statement of Hon. Manuel Lujan follows:]

STATEMENT OF HON. MANUEL LUJAN, JR.

Mr. Chairman, here I am again, on that favorite subject of mine, the Elena Gallegos Land Grant. Only this time I am here to share with you what at this moment appears to be good news.

Since the last time you heard testimony on our efforts to acquire the land, I have been attempting to come up with a way to bring the land into federal jurisdiction outside the appropriation process, and I think I have found an answer.

With luck and perserverance, I think we can bring about a land exchange between the onwers of the land, the Albuquerque Academy, on one hand; and the Bureau of Land Management and the Forest Service on the other. This deal is showing great promise and all of the parties involved are working to fulfill the terms of the option agreement signed by the City.

As the situation now stands, the Board of Trustees is considering an offer of some parcels of BLM and Forest Service land near the City of Albuquerque—land that has the potential for appreciation, and which, because of its location, no longer should be in public hands.

Let me point out that I prefer the land exchange procedure to the appropriation process. While there is no such thing as a free lunch, this approach is the most satisfactory from all perspectives, including minimum cost to the government. We acquire land that should be in public ownership, while at the same time, we transfer land suitable for development to the private sector.

My purpose in being here today, therefore, actually is two-fold; to inform you of developments since my last appearance, and to recommend that you keep in mind the idea that a small appropriation may be needed to completely fulfill the terms of the option agreement. As you know, in land exchanges there must be value given for value received, and it is possible to complete an exchange by including a small amount of money to equalize the flow. I do not know whether this will be the case in this situation, but if it is, I would appreciate consideration being given to appropriating enough money to complete the transaction. I will keep you fully informed on this, and I look forward to the time I can tell you that we brought this off with everyone coming out a winner.

Thank you.

LAND ACQUISITION—SANTA MONICA MOUNTAINS

WITNESS

HON. ANTHONY C. BEILENSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. BEILENSON. Thank you, Mr. Chairman, Mr. Murtha.

I appreciate the opportunity to testify before you.

Mr. YATES. We are honored to have you. Your statement may be made a part of the record.

[The statement of Hon. Anthony C. Beilenson follows:]

STATEMENT OF CONGRESSMAN ANTHONY C. BEILENSON

I appreciate the opportunity to testify before this Subcommittee in support of funding for land acquisition in the Santa Monica Mountains National Recreation Area.

First, I would like to express my thanks to this Subcommittee for opposing the Administration's entire proposed rescission of Land and Water Conservation Fund (LWCF) appropriations in this year's budget. Your willingness to continue supporting national park projects to which Congress is already committed gave an important sign of hope to the environmental community which is, understandably, quite discouraged by the Administration's seeming disregard for those commitments. I wish to speak briefly about one of Congress's park commitments, the Santa Monica Mountains National Recreation Area.

Every day I receive letters and telephone calls from constituents who are appalled that a President, who greatly enjoys the outdoors himself, who was so charmed by the Santa Monica Mountains that he once owned a ranch there, who now spends $52,000 of taxpayers' money to fly to his Santa Barbara ranch for a weekend of outdoor activities and self-renewal, is so oblivious to, or insensitive to, the need for public outdoor recreation in his home territory that he cannot find, in a $700 billion budget, the modest amount of funding necessary to make the Santa Monica Mountains accessible to all. Frankly, I was shocked myself at Interior Secretary James Watt's proposal for a five-year moratorium on all federal land acquisition—and action far more drastic than I anticipated. Certainly I expected some funding cuts for land acquisition in the several Parks and Recreation Areas we are engaged in creating or augmenting—not a complete halt to the National Park Service's (NPS) land acquisition program everywhere.

Realistically, for the Santa Monicas, a five-year moratorium on land acquisition is not a moratorium at all—it is a final action which would destroy the park. The pressure to develop land in the Santa Monicas is so strong that if we wait five years to begin buying land again, the areas now considered prime park land will have

already become an extension of Los Angeles' vast suburban sprawl. Appreciating at a rate of 20 to 40 percent per year, what land is left five years from now will be much, much more expensive—probably prohibitively so.

When Congress authorized $155 million for the SMMNRA in 1978, the timetable for acquisition was clearly designed to spend large amounts of money immediately, rather than delay expenditures, primarily because land there does appreciate so rapidly. Having spent only a total of $30 million before Secretary Watt froze LWCF monies in February, we were already behind schedule when all further purchases as well as negotiations and appraisals were stopped. One thousand two hundred and fifty acres which were negotiated for purchase before the freeze are threatened with immediate development and will be lost if acquisition funds are not released soon. In addition, there are more than 140 willing sellers who will sell their land to buyers other than NPS if acquisition funds are not appropriated. It is this competition between developers and NPS for SMMNRA land which makes large sums of money necessary right now. Delaying purchase means losing the land for public recreational use forever.

Even at its price, land in the Santa Monica Mountains is still a bargain in terms of its potential use. Our urban parks are very heavily used: Golden Gate NRA had 18 million visitors last year; Gateway NRA had nine million. Yellowstone, Yosemite, Grand Canyon, and Grand Teton National Parks each had only about two million visitors. There are ten million people who live within an hour's drive of the SMMNRA, and another eight million who visit the Los Angeles area annually. Because of its proximity to such a large and rapidly growing number of people, the SMMNRA has the potential to be our country's most heavily used national park.

Congress did not authorize the SMMNRA or any other urban park without thinking, or by accident. We recognized the tremendous needs that exist in our urban areas for open space for places to escape the noisy streets and polluted air of our densely populated regions. The only mountain range located within a large metropolitan area, the Santa Monica Mountains are truly a unique resource that offers our citizens an opportunity to hike, picnic, enjoy nature, and feel as though they are hundreds of miles away from the city even though it is right below them. Since not may people can afford to visit Yellowstone or Grand Canyon, we have tried to preserve large expanses of land close to population centers. But, without appropriations for land acquisition, those efforts will have been in vain.

Whether we buy the land and make it into a park, or let developers build houses and shopping centers, large amounts of federal money will be needed for the Santa Monicas. The mountains are extremely prone to fires, floods, and mudslides, and unless substantial changes in our flood insurance and other disaster assistance programs are made, the increased number of homeowners who purchase houses in the Santa Monicas and eventually become victims of these natural disasters will require ever-increasing amounts of disaster aid. Our choice is one of either purchasing the land for public recreational use, or subsidizing the unwise building of houses for those wealthy enough to own a home there. I think it is clear that wise use of limited federal funds requires that we choose funding the park.

We are all concerned about reducing federal spending wherever possible. But there really are no alternatives to federal funding for this park and, if we do not buy the land for it now, we never will. Congress must not be so short-sighted that we allow our current fiscal problems to override our concern for the kind of world we will leave to future generations, and make unwise decisions which cannot be reversed.

I urge this Subcommittee to continue its support for funding for the SMMNRA.

SANTA MONICA MOUNTAINS: THE HILLS ARE ALIVE

(BY SAM KAPLAN)

Times Urban Affairs Critic

From Griffith Park to Point Mugu, the patchwork of scrubland, rolling hills and jagged cliffs that forms the Santa Monica Mountains National Recreation Area is alive with people these balmy spring days.

They are in clusters picnicking, among classmates exploring, with family and friends hiking and camping, as couples strolling and birding, along winding roads biking, on dusty trails horseback riding or just simply by themselves on a lonely ridge overlooking the magnificence of the mountains marching to the ocean.

In contrast to allusions by Interior Secretary James G. Watt that national parks serve mostly elitist interests, those using the area appear representative of the polyglot population of Los Angeles: Latinos having a barbecue in Tapia State Park; blacks fishing in Lake Sherwood, whites backpacking on the Chumash Trail and Asians, Arabs and even a Gypsy, among others, on nature walks.

ALL AGES, INCLINATIONS

Also found in the area are varying ages and inclinations: an elderly couple with cameras stalking a mule deer in Caballero Canyon; mental patients on a cookout at Sycamore Cove; a gaggle of motorcyclists testing curves on Mullholland Highway; teen-agers tossing a Frisbee along Malibu Creek, handicapped students identifying plants at Trippet Ranch and 27 youths gathered at the old Paramount Ranch to celebrate a friend's 9th birthday.

"It's Los Angeles' equivalent to Central Park, and then some; a place for all people of all ages, to come and be refreshed, energized by the open spaces, the country settings," exclaimed Sarah Dixon, a member of the Area's Advisory Commission.

Dixon's comments were echoed in more subjective and specific phrases by dozens of other persons encountered in the park. "It's just marvelous to come out and picnic here," said Phil and Audrey Ause of Canoga Park. "Fun," added Roberto Castillo of Mar Vista at a family cookout. "A great place to hike and take some pictures," suggested Mike Tuttle of Encino. "Yes, it's great," added Jamie King, a friend.

The remarks and scenes were as varied as the flora in the nearly 40,000 acres of local, state and federal lands that at present compose the area. As approved in the National Park and Recreation Act of 1978, the area eventually is supposed to encompass 150,000 acres, but funds for additional acquisitions have been eliminated from the Reagan Administration's proposed budget.

With no funds, the U.S. National Park Service cannot proceed with its already approved schedule of purchases to improve and expand the National Recreation Area. The cuts in effect free the land for private development.

In defending the cuts before a congressional committee, Watt said he thought there already were too many federal parks near urban areas being used as "city playgrounds." Conservationists argue that given the rising cost of travel this is where the parks are needed.

CONCERTED EFFORT

"People who can't afford the time or money to go to a Yosemite need an alternative," said Jill Swift of the Sierra Club.

On a pleasant weekend such as the last, an estimated 50,000 persons might be wandering through and enjoying the Santa Monica Mountains range. According to the Park Service, use of the area and its network of local and state parks is increasing and should exceed last year's total visits of about 1 million persons, excluding beachgoers.

The increase is attributed in large part to a concerned effort of the Parks Service, the state Department of Parks and Recreation and various volunteer groups to attract new users to the range. Once a person comes in contact with the mountains through some organized outing, he or she usual returns, with family and friends in tow.

Almost every day there is some activity bringing new people into the mountains. Last Saturday, among other events, it was a wildflower identification workshop free to all interested at the old Paramount Ranch; Wednesday, an environmental education program for a student group at the Calamigos Ranch, and Friday it will be a bus trip to introduce 50 youngsters to the pleasures of Malibu Creek State Park.

The bus trip in part of the Park Service's Recreational Transit Program, which has been one of the more successful efforts to introduce the mountains to less advantaged residents of the Los Angeles region. Developed two years ago under a grant from the federal Urban Mass Transportation Administration by a consortium of public agencies and private groups, the program to date has served about 40,000 persons, including many inner city youths.

Buses also are bringing into the park senior citizens, handicapped persons, hospital patients, youth groups and waves of students for field seminars, nature walks and picnics. "It's hard to believe, but some of these people out from Los Angeles actually have never seen the ocean or been in the mountains." said Bill Anderson, the Area's director of visitor services.

"The park is a vital resource in our program," explained Bob Logan, a recreational therapist, who had brought out 27 mental patients from Westwood Hospital last weekend to Sycamore Cove for a hike and a cookout. "The doctors actually prescribed their participation. And I also love getting out."

At the old Paramount Ranch, now a federal park, sixth graders from Arlington Heights public school gathered around Anthony Roybal of the Park Service as he talked about how Indians used plants. "The program is super," commented Diane

Pritchard, integration coordinator for the school. "These kids, many of whom are from broken families and poor, need this experience."

"It's really nice getting out of the city," added Malek Doulet, one of the students Dondow Kaslov, a classmate and a Gypsy, agreed.

When asked if they are enjoying themselves, the faces of these and other children on other walks said more than their squeals and monosyllabic approvals. As they rambled along a trail, their looks of caution gave way to curiosity, then wonder and excitement. Soon broad smiles and sparkling eyes expressed the delights of the discovery of a world beyond the asphalt and concrete of a city.

Viewed almost daily in the mountains, such scenes prompt those working to expand the park and open it up to broader public use to question Watt's comments and President Reagan's supposed love of the outdoors. "How can anyone like Reagan who says he enjoys the rugged country life deny this experience to these children? But that's what he's going to do with his cuts." said a park user.

Comments of others in the park also were pointed. "What Reagan's cuts are doing is destroying our two most precious resources; the children and the land," said Pritchard. "He and Watt should come out on one of these walks and see how the park is enjoyed."

"Reagan has a big ranch where he can go horseback riding. Most people don't," added Daren Weskaines of Los Angeles, on a hike with a friend, Barbara Briel of Burbank. "We put this land in trust with the government," said Weskaines, "and now we have to fight government to preserve it."

"I don't know what a little guy can do to save these parks, but I do know we need places like this," commented Larry Wayne of Canoga Park. Wayne made his remarks at Paramount Ranch where he was attempting to handle a horde of youths there to celebrate his son Lance's 9th birthday. Helping was a sympathetic Park Service employee.

Hiking also is becomming increasingly popular. In addition to rallying support for the parks, the Santa Monica Mountains Task Force of the Sierra Club's Angeles chapter offers walks, rambles and hikes almost daily. (Those interested should call 344-8714 for details.)

Within the last year nearly 12,000 persons have followed about 200 volunteers on tours of the mountains. "For many it's their first introduction to the Santa Monicas," said Swift, who leads about two hikes a week. "The next time, out they usually go by themselves with a friend."

This weekend volunteers will be conducting five walks through the park ranging from "easy" to "strenous." Two of the walks Sunday starting at 10 and 10:30 a.m. at Cornell Road and Mulholland Highway will be through the so-called Reagan Ranch, which was once owned by the President.

Reagan sold the 290-acre spread in 1966 for $1.9 million to the 20th Century-Fox Realty Corp. In 1973 the state acquired the property and an additional 2,340 acres for a total of $4.8 million. The land is now part of Malibu Creek State Park, a gem in the tiara of open space forming the National Recreation Area, and a favorite of hikers.

During the hikes, Swift said, the volunteer guides will take a break and hand out post cards, as they do on most club excursions. Persons then will be asked to write a message to the President or their congressional representative requesting that the national park appropriations be restored.

Mr. BEILENSON. Thank you.

Along with Mr. Seiberling, I want to express my thanks. I think your willingness to support national park projects to which the Congress is already committed gave an important sign of hope to the environmental community out there. I think it is awfully good that you did so.

By "environmental community," I don't just mean the members of the Sierra Club and Audubon Society. I mean the millions of people whom we are finding really care about the environment of the country.

We had the interesting situation in our area of discovering the hundreds of persons who voted for and supported the President, but are really appalled at his environmental policies.

So, when I say "environmental community," I mean a lot of people you wouldn't ordinarily think about, those who haven't been, at least until now, active voices in that particular area.

Mr. Chairman and Mr. Murtha, if you don't mind, I will slide across to you petitions signed by 3,792 people in our area in support of the park that you have been so helpful in getting started.

I would also like to call your attention to a nice article which, I think, you have a copy of. There have been many articles in the LA Times about the park in recent weeks and months, but this one is particularly good because it talks about some of the really good uses which have been made of the park by a lot of different kinds of people in the general urban area.

It's really been a very moving experience, this discovery of how many people in the area—I don't mean just in Los Angeles, but in the whole southern California area—care about this park, which so many have been working to create for years.

We finally got it started with your help two or three years ago. And with your help, we have been appropriating some moneys for it the past couple of years.

Every day I receive dozens, literally dozens, of phone calls and letters from constituents and others in the southern California area who are appalled by the park cuts made by a President who enjoys the outdoors himself so much, who is so charmed by the Santa Monica Mountains that he once owned a ranch there himself, who still spends $52,000 or more of the taxpayers' money to fly to the Santa Monica ranch for a weekend of outdoor activities to renew himself, which I totally agree with and believe in. I understand he needs it.

At the same time, he's apparently totally oblivious and insensitive to the need for public outdoor recreation in this own territory of his, where many millions of people who live there and many millions who visit there simply don't have available to them the same recreational resources as he does in terms of his own private range.

I was shocked, as were many people, at the proposed five-year moratorium for all land acquisition proposed by Mr. Watt. Along with other people I expected some cutback in park funding by the new Administration, but not this entire cutoff of funds.

Realistically speaking for our own park, for the Santa Monicas, a five-year moratorium on land acquisition is not a moratorium at all. It is a final action which would destroy the park.

The pressure to develop land in the Santa Monicas is so strong that if we wait five years to begin buying land again, the areas now considered prime park land will already become an extension of the Los Angeles vast suburban sprawl.

Mr. MURTHA. Who owns this land now?

Mr. BEILENSON. In most cases, private landowners. We also, of course, have three large State parks in the area. The State, Mr. Murtha already has spent $100 million to provide recreation.

Mr. MURTHA. That brings to a standstill any plans a person wants to make.

Mr. BEILENSON. That is exactly the situation we find ourselves in now. We have under negotiation, for example, about 1,250 acres of prime land which the moratorium of Mr. Watt's has frozen.

So these people are nowhere. We have 140 other willing sellers at the moment with, in most cases, smaller parcels of land to sell. And nothing can be done about them, either.

So we face this very particular problem in this park, and I suppose you do in a few other of the newer parks where they face similar land appreciation problems, where a moratorium, in effect kills the project.

You may not find that situation in areas of an established park where you already have most of the land acquired, but that is not the case here.

This subcommittee, especially, Mr. Chairman, has been extremely helpful in support of the park during the last two or three years.

You know all about the park. I am not going to tell you anything more about it except to make one additional point we have never made in past presentations.

That is this. Even at its price, which clearly is a lot of money, I think land in the Santa Monica Mountains is still a bargain in terms of its potential use.

You probably have these figures but, frankly, I was pleased and a bit surprised to get them just recently. Our urban parks are very heavily used.

Golden Gate NRA had 18 million visitors, Gateway NRA had 9 million. Some of the big flagship parks, such as Yellowstone, Grand Tetons, Yosemite, have just over 2 million visitors per year.

But we have 9- and 18 million per year. There are 10 million who live within one hour's drive of the Santa Monica Mountains.

We have 8 million who visit the Los Angeles area annually from out of State. Because of its proximity to such a large growing number of people, this area has the potential, in my opinion, without question, to be our country's most heavily used national recreational resource.

So, as I suggested at the outset, Mr. Chairman, Mr. Murtha, even though a lot of money is involved here, the usage already is so great that I think it is still a bargain, even at present-day costs, and I hope very much that, as in the past, you will be able to help us with continuing to fund this park.

Mr. YATES. Suppose we were to follow the Administration's policy? That would permit private development in the mountains, wouldn't it?

Mr. BEILENSON. Yes, sir. And that would involve expenditure of Federal moneys, too, eventually.

Mr. YATES. I don't remember the statistics. Do you remember how much of the mountains is in private hands?

Mr. BEILENSON. I think it is fair to say that a great majority of it is in private hands. We do have these three major State parks, which are and will become a part of the overall NRA.

But most of it is in private hands.

Mr. YATES. So there would be a combination of both under the Federal proposal to buy parks?

Mr. BEILENSON. Yes, sir.

Mr. YATES. So it sounds like a very happy combination.

Mr. BEILENSON. We think it is.

Mr. YATES. Thank you very much.

76-703 O - 81 - 48 (5b)

Mr. BEILENSON. Thank you very much.

FIRESCOPE PROGRAM

WITNESS

HON. JOHN H. ROUSSELOT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. YATES. Mr. Rousselot's statement respecting FIRESCOPE may be received in the record at this point.

[The statement of Hon. John H. Rousselot follows:]

STATEMENT OF HONORABLE JOHN H. ROUSSELOT, MEMBER OF CONGRESS

TWENTY-SIXTH DISTRICT, CALIFORNIA

BEFORE THE HOUSE SUBCOMMITTEE ON INTERIOR APPROPRIATIONS

COMMITTEE ON APPROPRIATIONS

ON

THE FISCAL YEAR 1982 INTERIOR APPROPRIATIONS BILL, HR

MR. CHAIRMAN and Members of the Subcommittee, thank you for allowing me this opportunity to testify on behalf of a matter of grave importance to all Americans -- Forest Fire Protection. As you are aware, this is a problem acutely facing Southern Californians.

"Walls of flame", "blackened acres", "gutted homes", and "exhausted fire crews" cross the TV screen in a blur almost every summer and fall in California. Fortunately, 95% of all wildfires are controlled before they burn even 10 acres. Only the few that escape initial attack by firefighters spread to the headlines. Yet, these wildfires break out in the National Forests in California every year. They burn an average of 112,000 acres and cost about $58 million in resource damage and suppression.

During just 16 days last November, 139,000 acres of brushland burned, 300 homes were destroyed, 4 deaths resulted, and property and resource losses were in the untold millions. The U.S. Forest Service, in cooperation with State, County and municipal fire agencies, is struggling with this ever-increasing protection problem as populations increase and urbanization pushes relentlessly into more brush and hazardous areas. Since 1970 there has been a 26% increase in the population of Southern California. Fire protection must be kept strong. Reduced appropriations for both the FIRESCOPE program and Forest Fire Protection would be

extremely poor economy and would result in far greater future costs in dollars as well as in resource losses and human suffering.

The California delegation has been very bipartisan in our willingness to fight for these funds and the appropriations that we firmly believe are vitally needed.

Mr. Chairman, you have always been very cooperative in trying to make sure that we have adequate funding, even above authorization levels, for these fire fighting programs. This is why I am appearing before you today. As one who sits on the Floor all of the time to try to follow expenditure levels, I can say that the cooperation among California congressmen for FIRESCOPE and Forest Fire Protection funding has been excellent. Last Congress, Congressman Barry Goldwater, Congressman Jim Corman and I held Congressional hearings in Los Angeles regarding the firefighting operations in Southern California. It was apparent from the testimony received from respresentives of the U.S. Forest Service, the State Department of Forestry, the California Air National Guard, the various county and city fire departments, as well as the Watershed Fire Council of Southern California, the Air Tanker Association and various Los Angeles County Supervisors representing the many homeowners of the area, that FIRESCOPE and related programs must be kept viable.

Let me talk for a few minutes about the FIRESCOPE program. FIRESCOPE is a cooperative venture among agencies crossing jurisdictional boundaries, and was chartered by Congress in 1972 to optimize fire protection services. FIRESCOPE is designed to improve the coordination and effectiveness on multi-jurisdictional fires and other emergencies. The 5-year research effort was completed in 1977, and development is now about 40% complete.

The few operating parts of the program are already paying off. During last November's fires, fire services estimated that they saved more than $800,000 in direct suppression costs and approximately $9 million in private and public property

by utilizing FIRESCOPE procedures and technologies. A fully completed program can reduce costs and losses by an average of $6 million annually according to an economic study. FIRESCOPE is no longer just a local program for the San Bernardino, Angeles, Cleveland, Los Pedres and Dequoia National Forests in Southern California; its wide application ability is rapidly being recognized, and its endorsement by the National Association of State Foresters attests to its effectiveness.

With dozens of fire departments in different jurisdictions, each using different equipment, training methods, and radio frequencies, it was nearly impossible to muster available firefighting forces for timely and effective combined attack on wildfire.The program called FIRESCOPE is a multi-agency coordination system (MACS) where Federal, State, County and Municipal fire chiefs determine priorities and deploy firefighting resources during fires. A map of the 1,400 square miles area served pinpoints all engines, aircraft and fire crews available. Eventually, a computer program called FIREMOD will be used to predict spread rate and size of fire from the time of the first report and initial attack. Computer models will use data on fuel type and age, slope and other terrain characteristics, windspeed and direction, and humidity to predict the location of fire perimeters 6 to 12 hours into the future on major fires and evaluate alternative allocation of suppression forces and tactical and strategic action.

FIRESCOPE has developed standard training and terminology for firefighting organizations and systemized radio frequencies so that agencies can communicate quickly and reliably during a fire.

MR. CHAIRMAN, I, and I speak for many members of the California delegation who could not be here today, would like to request that $2.4 million be contained in the FY 1982 budget for the activities of the FIRESCOPE program.

Additionally, Forest Fire Protection, listed under Forest Management, Protection, and Utilization - National Forest System, Land and Resources Protection, has been recommended at the level of $178 million. I would like to see an additional $3 million added to the budget to make a total of $181 million. This amount is $17 million higher than in the FY 1981 appropriation measure, but $12 million of this will be needed to cover the pay act costs. Other increases in costs due to inflation will absorb another $7 million, so in effect, this is a $2 million decrease from FY 1981.

Fuels management, particularly the building and maintaining of fuelbreaks, is a vital part of the program that this fund supports. It also supports all the activities of fire prevention, fire detection, fire attack and aviation operations.

Southern California has a combination of fuels, topography and weather conditions which create one of the most critical wildfire situations in the world. This was recognized early in California history when the San Gabriel Forest Reserve was established in 1892. The primary objective was the need to protect critical watersheds, thus reducing the risk to life and property from fire and resulting floods and mudflows. Since then, the wildfire situation has become more complex and the addition of large population centers has created high down stream property values and residential development in the critical fire prone watersheds.

As you know, disastrous wildfires are too common in the chaparral brushlands of Southern California. As I stated earlier, 95% of the wildfires are controlled rapidly at 10 acres or less during initial attack. The 5% that are not controlled by initial attack forces normally occur during extreme weather conditions and sometimes become the large disastrous fires. Due to advances in technology and capabilities of the fire service agencies, more of these fires are being controlled without undue property or watershed damage. However, fires which occur during periods of high winds and low humity (such as experienced last November) will continue

to have the potential of becoming large fires with unfortunate losses.

The solution, I am told by fire experts, encompasses more than firefighting techniques and better air attack. It includes fuels management, residential hazard reduction, mountain and foothill residential zoning requirements, and of course an effective prevention effort.

I vigorously support these two items in the 1982 budget as being vital to the welfare and safety of the citizens of southern California. We recognize the need for national economy and the importance of limiting Federal expenditures, but these items are essential expenditures which will ultimately save millions of dollars and reduce human suffering. We, and I speak for the greater part of the California Delegation, urge you to support these items as wise investments for 1982 and the years to come.

Thank you, Mr. Chairman, for allowing me this time to speak in behalf of the FIRESCOPE program and Forest Fire Protection.

LAND AND WATER CONSERVATION FUND

WITNESS

HON. DANTE B. FASCELL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. YATES. The statement by Mr. Fascell may be received into the record at this point.

[The statement of Hon. Dante B. Fascell follows:]

STATEMENT OF CONGRESSMAN DANTE B. FASCELL, 15TH DISTRICT, FLORIDA

Mr. Chairman and members of the subcommittee, I appreciate very much having this opportunity to testify before you. This is a matter which has very grave consequences, not only in my own congressional district, but nation-wide, and it is one about which I feel very strongly.

The Secretary of the Interior's announced moratorium on all federal land purchases and on grants to the States for their parks programs is, in my judgment, unfair to property owners; will result in false economy; and will have a devastating effect on the preservation of extremely valuable and endangered resources.

There are dozens of already-authorized federal parks throughout the country which the federal government has publicly announced it has an intention of acquiring. Three of these are in my congressional district. They are the Biscayne National Park, the Crocodile Lake National Wildlife Refuge and the Big Cypress National Preserve.

The legislation which authorized both the Biscayne National Park and the Big Cypress National Preserve specifically mandate that all privately owned lands must be acquired within a definite period of time. With respect to Big Cypress, that deadline has already passed and it is my understanding that there are about 200 tracts, representing 6,500 acres and some 200 individual owners, remaining to be negotiated to a conclusion. Some 5,500 tracts are in condemnation proceedings.

The Biscayne National Park legislation, enacted last year, directs that all the privately owned lands must be acquired within three fiscal years. The previous administration's fiscal year 1982 budget recommended $5 million to begin acquisition and this represents half of the total amount expected to be required.

The Crocodile Lake National Wildlife Refuge was established by order of the Secretary of the Interior in an effort to preserve the seriously endangered specie of the American crocodile. This involves 7,100 acres on Upper Key Largo, Florida, and 62 individual owners (some owners have more than one tract). Of the 18 known remaining crocodile nests in the entire country, seven are located in the Refuge. $2.6 million has alrady been appropriated for acquisition in fiscal year 1981 and $2.1 million had been budgeted for fiscal year 1982. I am deeply thankful to you for approving a resolution of disapproval on the administration's rescission of the 1981 money and will support this when it comes to the floor for a vote.

Mr. Chairman, once the federal government has declared its intention to acquire property from private landowners, there is an inherent obligation on the part of the government to proceed with those acquisitions as quickly as possible. Property owners are required to continue to pay taxes until their land has been acquired and they are, for all practical purposes, unable to do anything with the land whereby they could realize any income from it. For the federal government to adopt a policy of not acquiring the land amounts to condemnation without compensation. It is unfair and unconscionable.

The moratorium on land acquisition is also, it seems to me, false economy. The Washington Post, in an editorial of April 11, 1981, (copy attached for the record), points out that the cost to the government several years from now is likely to be much higher as land values continue to rise around the country. Therefore, in the long run we will not be saving money by not acquiring these lands in a timely fashion, but spending more of it.

Finally, failure to incorporate these lands into the National Park System will seriously endanger the chances that they will ever be preserved for future generations. Once lost to development, they can never be recovered and the American people will have lost forever a very valuable resource. It is our responsibility to see that this does not happen.

Secretary Watt has proposed that the very small amount of money which is now budgeted by the administration for the Land and Water Conservation Fund be used

for maintenance of existing parks instead. There is no question that many of our older parks need refurbishing. However, the legislation establishing the Fund clearly states that the monies are to be used for federal land acquisitions and for grants to the States. There is no provision for the use of these funds for maintenance of Federal parks. In an editorial on April 19, 1981, (copy attached for the record), the Miami Herald states that "the trust fund, now generating $900 million per year, is supported by revenue from offshore oil leases, not from taxes. It operates on the classic conservative principle that income from nonrenewable resources should be spent as capital outlays in one-time acquisitions, not on recurring operating expenses. Yet the Administration seeks to breach that principle by diverting the trust fund to maintenance."

With respect to the Land and Water Conservation Fund's states grants programs, our State and local governments will face serious consequences without these funds as well. Many of these entities already have planning well under way which involve matching grants. The same problems which I have already cited with respect to the results of a moratorium on federal land purchases will be multiplied at the state and local levels if the expected grants are not forthcoming.

Mr. Chairman, each and every one of us is keenly aware of the need to reduce federal spending and we all support the President's goal of trying to achieve a balanced budget. We are all under tremendous pressure to do so and I think we will come up with a vastly reduced budget this year. But we will not be helping the economy if what we do not spend now ends up costing more later. And we will not be helping the economy if property owners cannot get their money out of land which the government has said it intends to take and invest it elsewhere, where it can become income-producing. That, at least, is my understanding of what "supply-side economics" is all about.

For all of these reasons, I urge you to appropriate funds for the Land and Water Conservation Fund at a level that will cover federal acquisitions that had originally been programmed for fiscal year 1982. I believe the States are prepared to accept a reduced level of funding as long as what remains is apportioned fairly among them. This is the fair and reasonable thing to do.

[From the Washington Post, Apr. 11, 1981]

Shaping Up the Park System

There is a superficial logic in the plan Secretary of the Interior James Watt has proposed for the national parks system. He wants to fix up the parks that already exist and halt, at least temporarily, the acquisition of new park land. Given the condition of many of the great national parks—shabby is the right word—and the vast expansion of the park system in the last decade, the idea seems to make sense.

As with many such ideas, however, there is a problem. The government has a backlog of about a billion dollars worth of land that Congress has said it wants to buy for the park system. This includes not only many recently authorized parks but parts of such established parks as Redwood and the Cape Cod National Seashore.

The people who own that land are mostly waiting to get their money; there isn't much of a market for land the government has said it is going to take. Under Mr. Watt's proposal, these owners will simply have to continue to wait—which, in some cases, will make them happy—while the value of their land appreciates. The utilmate cost to the taxpayer, of course, is likely to be much higher in 5 or 10 years than it is now.

Mr. Watt is right in claiming that there is a need to reevaluate the whole park system. The "park barrel" did seem to replace the old pork barrel in recent sessions of Congress when members began to prefer parks to dams in their home districts. But the way to handle that reevaluation is for Mr. Watt and his experts to recommend to Congress which parks should be de-authorized.

In the meantime, it would be wiser to spend whatever money is available buying land the Park Service knows it will need than to scrub the buying program in favor of refurbishing the older parks. The public has put up with the shabbiness of some of those areas for a good many years now and can continue to do so for a while longer. Any appreciable delay in the acquisition program increases the risk that the land will never be bought and that it will be used in ways incompatible with a park before the government gets around to obtaining it.

[From the Miami Herald, Apr. 19, 1981]

FUND TO BUY PARK LAND SHOULD NOT BE USURPED

Until now, the sanctity of the Federal trust fund that pays for additions to the national-park system had not been challenged. Since Congress established the Land and Water Conservation Fund in 1964, four Presidents—two Republican and two Democratic—had honored its role in buying endangered lands for public use.

No more. The Reagan Administration has asked Congress to open the trust fund for the first time for maintenance, not purchase, of Federal properties.

Congress must not permit this abrupt about-face after a generation of sound parks planning. What Interior Secretary James Watt proposes is not mere fiscal conservatism. It is a repudiation of the fundamental principle of the national park system. Mr. Reagan's electorial victory was not a mandate for any such attack on the public interest.

South Floridians can see the impact of Secretary Watt's ideological coup already. Purchase of land in the Big Cypress National Preserve, Biscayne National Park, and Crocodile Lake National Wildlife Refuge on Key Largo has been ordered halted.

The result is that 71,000 acres of prime shoreline in Biscayne Bay will not be bought on the three-year schedule that Congress adopted last year. Big Cypress, a critical recharge area for South Florida's drinking water, will remain in a checkerboard pattern of public and private ownership. The major remaining habitat of the Florida crocodile will hang as tempting bait for several eager developers.

This spending freeze betrays the trust that local and state governments placed in Washington when all acted together to preserve Biscayne Bay and the other critical properties. Coupled with the assault on the trust fund, the spending freeze is exposed as more than a delay adopted as a fiscal constraint. It is half of a pincers movement that could foreclose parks acquisitions entirely.

The trust fund, now generating $900 million per year, is supported by revenue from offshore oil leases, not from taxes. It operates on the classic conservative principle that income from nonrenewable resources should be spent as capital outlays in one-time acquisitions, not on recurring operating expenses. Yet the Administration seeks to breach that principle by diverting the trust fund to maintenance.

More than half the fund's expenditures go to local and state governments in dollar-for-dollar matching grants. The Federal turnabout therefore would hamstring many acquisitions already planned by the states, including Florida. And without a continuing Federal land-purchase program, there is little hope for the critical 17,000 acres optioned by the Trust for Public Land on the eastern boundary of Everglades National Park.

Florida needs the lands whose purchase now is threatened. Even more important, the nation needs the systematic and financially secure approach to parks expansion that it adopted with the trust fund so many years ago. It's doubtful that those who voted for Mr. Reagan meant thereby to endorse dismantling that nonpolitical and cost-effective program. They should tell him so, and Congress with him, before it's too late.

Mr. YATES. We are in recess until 2 o'clock.

AFTERNOON SESSION

Mr. YATES. Mr. Reporter, show the hearing is coming to order.

We are delighted to have our old friend, Congressman Jack Brinkley appear before us as a witness.

He appears in support of appropriations for the Warm Springs Fish Hatchery.

FISH AND WILDLIFE–WARM SPRINGS FISH HATCHERY

WITNESS

HON. JACK BRINKLEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF GEORGIA

Mr. Brinkley, your statement may be made a part of the record at this point.

[The statement of Hon. Jack Brinkley follows:]

STATEMENT OF HON. JACK BRINKLEY

Mr. Chairman, I appreciate this opportunity to testify on behalf of a crucial construction project at the Warm Springs National Fish Hatchery, located in my district in Warm Springs, Georgia.

The Warm Springs National Fish Hatchery performs a vital food supply function, while providing crucial employment opportunities to families throughout the area. To continue the Hatchery's first-rate production operations, construction of 24 new fish ponds with pond kettles is an urgent priority. According to the U.S. Department of the Interior's Fish and Wildlife Service, construction costs would total approximately $350,000.

By way of background, the Warm Springs National Fish Hatchery was established in 1899 for the production of largemouth bass and bluegill for distribution in west central Georgia. Redear sunfish has since been added to the production. Channel catfish are transferred in from other national fish hatcheries, but some must be held for additional growth for federal waters. Most of the hatchery-reared fish are stocked in farm ponds. Warm Springs stocks an estimated 1,500,000 fish annually. State, Federal and cooperative fish management programs are supported by the hatchery.

Since the National Fish Hatchery at Marion, Alabama, has been turned over to the State of Alabama, 15 counties in the southwestern part of Georgia have been added. This now brings a total of 53 counties for which Warm Springs is responsible for stocking fish for farm ponds. Warm Springs has also assumed the responsibility for providing the Southeastern Fish Control Laboratory, also in Warm Springs, with yearling and adult fish in addition to the fingerling fish already provided.

Presently, 12 unfinished one-half-acre ponds are being used. The Southeastern Fish Control Laboratory is also using 12 unfinished ponds. Sixteen old production ponds and two display pools will not hold water. Pond kettles are urgently needed to maximize production capability. Installation of the 24 fish ponds with kettles would increase the hatchery's production capacity by about 60 percent.

This cost-effective approach would both substantially increase one of our most valuable food supply sources and help to insure a productive future for one of our nation's leading hatchery facilities.

I urge subcommittee approval of this essential construction at the Warm Springs National Fish Hatchery.

Mr. BRINKLEY. Thank you very much, Mr. Chairman. The statement is short. With your permission, I will go right through it.

I do appreciate this opportunity to testify on behalf of a pivotal construction project at the Warm Springs National Fish Hatchery located in my district, in Warm Springs, Georgia.

The Warm Springs National Fish Hatchery performs a vital food supply function, while providing crucial employment opportunities to families throughout the area. To continue the Hatchery's first-rate production operations, construction of 24 new fish ponds with pond kettles is an urgent priority.

According to the U.S. Department of the Interior's Fish and Wildlife Service, construction costs would total approximately $350,000.

By way of background, the Warm Springs National Fish Hatchery was established in 1899 for the production of largemouth bass and bluegill for distribution in west central Georgia.

Redear sunfish has since been added to the production. Channel catfish are transferred in from other national fish hatcheries, but some must be held for additional growth for Federal waters.

Most of the hatchery-reared fish are stocked in farm ponds. Warm Springs stocks an estimated 1,500,000 fish annually. State, Federal and cooperative fish management programs are supported by the hatchery.

Since the National Fish Hatchery at Marion, Alabama, has been turned over to the State of Alabama, 15 counties in the southwestern part of Georgia have been added. This now brings a total of 53 counties for which Warm Springs is responsible for stocking fish for farm ponds.

Warm Springs has also assumed the responsibility for providing the Southeastern Fish Control Laboratory, also in Warm Springs, with yearling and adult fish, in addition to the fingerling fish already provided.

Presently, 12 unfinished one-half-acre ponds are being used. The Southeastern Fish Control Laboratory is also using 12 unfinished ponds.

Sixteen old production ponds and two display pools will not hold water. Pond kettles are urgently needed to maximize production capability. Installation of the 24 fish ponds with kettles would increase the hatchery's production capacity by about 60 percent.

This cost-effective approach would both substantially increase one of our most valuable food supply sources and help to insure a productive future for one of our nation's leading hatchery facilities.

I urge subcommittee approval of this essential construction at the Warm Springs National Fish Hatchery.

Mr. Chairman, I might only add that I have gone to this facility personally, have viewed it, I have seen its potential and I think it would be a good investment to go forward and complete something that really has already begun.

Mr. YATES. Good. Thank you very much, Mr. Brinkley. We appreciate it. We will certainly give it every consideration.

Mr. BRINKLEY. You are very kind to see me out of order. I have an Armed Services Committee meeting at this identical time, so it gives me an opportunity to go right back to them.

Mr. YATES. Good.

Mr. BRINKLEY. You know, Warm Springs is also the site of the Little White House where FDR went.

Mr. YATES. I remember it very well. It is the place where Roosevelt died.

Mr. BRINKLEY. It's an anomaly, perhaps, that the cold water coming out of the east side of the mountain is for fish, suitable to them, while on the other side of the mountain is the warm water suitable for polio and spinal cord victims' rehabilitation.

Thank you, sir.

Mr. YATES. Thank you, Jack.

INTERIOR PROGRAMS

WITNESS

HON. JONATHAN BINGHAM, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. Reporter, we are delighted to have our old friend, Congressman Bingham, appearing before our subcommittee today.

Jack, your statement may be made a part of the record. I will be glad to hear what you have to say.

[The statement of Hon. Jonathan Bingham follows:]

TESTIMONY OF HON. JONATHAN BINGHAM

Mr. Chairman, I am pleased and grateful that you have given me the opportunity to testify before you today on the future of the Urban Parks and Recreation Recovery Program (UPARR). This Subcommittee has been an early and consistent friend of the UPARR program. Today I urge you to join me in pushing for its continued existence.

This will not be an easy task. The Administration has recommended that there be no funding for UPARR in 1982. In fact, the Administration proposed a recission of UPARR's 1981 appropriation, a move this Subcommittee wisely rejected. If the Administration's 1982 phase-out of UPARR takes effect, it will be a tragic loss for our Nation's cities. Accordingly I endorse the Interior Committee's recommendation of $40 million in funding for UPARR in 1982, a figure which the Committee calls "the minimum threshold level below which this national program will not be viable."

The UPARR program was established under the National Park and Recreation Act of 1978, Public Law 95-625. It is a matching grants program designed to target aid to distressed cities for the revitalization of park and recreation systems. UPARR was developed because no Federal program targeted recreation aid to cities, where the need was greatest. The 1978 National Urban Recreation Study showed that needs were greatest at the neighborhood level, that neither national nor state parks were meeting that need. The Land and Water Conservation Fund, an excellent program in other respects, did not provide aid for the rehabilitation of existing facilities. Nor could Land and Water Conservation Fund money be used for sheltered facilities. For years urban members of Congress—I was one of them—tried to open up the Land and Water Fund to meet these urban needs. In 1976 the conference committee which was working on the reauthorization of the Land and Water Fund voted to ask the Interior Department to study the urban recreation situation. The 1978 study was the result. UPARR was developed to meet the serious needs which were illustrated in that study.

UPARR is not a Federal giveaway program. Its purpose is to stimulate community-wide commitment to long-term planning, financing, operation, and maintenance of local recreation systems. To participate in the program communities must produce an inventory of their recreational stock and devise a long term plan for its revitalization. This is no easy task. But it has not dampened local enthusiasm for UPARR. Over 300 cities have pledged to complete UPARR Recovery Action Plans by the end of this year. Over 1000 proposals for UPARR rehabilitation and innovation grants have been submitted.

One of UPARR's great strengths is that it "leverages" nonfederal investments by the use of a few federal dollars. Grants are provided to those municipalities which demonstrate that they will use the federal contribution to elicit local governmental and private contributions. For example, in Jersey City UPARR provided $225,000 for a community center. Private corporations, foundations, and nonprofit organizations came up with a million dollars. In Toledo UPARR provided $552,790 for the rehabilitation of four inner city parks. That was met by $30,000 from the YMCA and $206,000 in city funds. In Gulfport, Mississippi $105,000 from UPARR was met with $45,000 from the city. Thus, dollars appropriated for UPARR have a good chance of producing other dollars from the private or local governmental sectors.

I fear that without UPARR these non-federal contributions will not be made. In a time of belt-tighening and fiscal austerity parks and recreation will be at the bottom of most cities list of priorities. This is not to say that recreation is unimportant but realistically it cannot and should not compete with essential services like police protection and sanitation. Without UPARR city parks will continue to deteriorate. The young and the old will find themselves unable to use their local parks. Neighborhoods near these parks will suffer as the blight moves outward from the parks. The millions of dollars invested in existing parks will be lost.

The elimination of UPARR at this time is a classic example of being penny wise and dollar foolish. UPARR is essentially a conservation program. It encourages cities to preseve their existing capital investment in recreation facilities. It encourages them to examine what they have and make maximum use of these facilities. Ending UPARR would be a signal to the cities that preservation of existing recreational resources is not a priority of the federal government. Ironically, the Administration has made preservation and enhancement of existing facilities the cornerstone of its national park policy. That same commitment should be applied at the local level. If UPARR is terminated, cities will most likely abandon their long-term plans for rehabilitation of recreational resources. Rather they will allow these

facilities to deteriorate and plan for the day when Washington and the states will provide funding for new facilities. In the end, recreation needs will have to be met. The question is whether we will meet them now through incentives for preservation or meet them later with newer more expensive facilities.

I trust that this Subcommittee will recommend continued funding for the UPARR program. It is a model of constructive federalism. It is targeted to those cities and those populations most in need. It uses limited federal funds to elicit the maximum in local planning efforts and local financial contributions. It conserves existing urban facilities and, through its emphasis on close-to-home recreation, encourages the conservation of gasoline as well. It is not an example of a bloated federal giveaway program but is rather almost a textbook illustration of the type of federal program most in keeping with these times of budgetary restraint. Simply put, UPARR is a program worth preserving. Thank you for your time and your consideration.

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

I am delighted to have the opportunity to testify before you and the subcommittee today on the future of the Urban Parks and Recreation Recovery Program.

This subcommittee has been an early and consistent friend of the UPARR program. I urge you to join me in pushing for its continued existence.

This will not be an easy task. The Administration has recommended that there be no funding for UPARR in 1982. In fact, the Administration proposed a recission of UPARR's 1981 appropriation, a move this subcommittee wisely rejected.

If the Administration's 1982 phase-out of UPARR takes effect, it will be a tragic loss for our nation's cities. Accordingly, I endorse the Interior Committee's recommendation of $40 million in funding for UPARR in 1982, a figure which the committee calls "the minimum threshold level below which this national program will not be viable."

The UPARR program was established under the National Park and Recreation Act of 1978, Public Law 95-625. It is a matching grants program designed to target aid to distressed cities for the revitalization of park and recreation systems.

UPARR was developed because no Federal program targeted recreation aid to cities, where the need was greatest. The 1978 National Urban Recreation Study showed that needs were greatest at the neighborhood level, that neither national nor state parks were meeting that need.

The Land and Water Conservation Fund, an excellent program in other respects, did not provide aid for the rehabilitation of existing facilities.

Nor could Land and Water Conservation Fund money be used for sheltered facilities. For years, urban members of Congress—I was one of them—tried to open up the Land and Water Fund to meet these urban needs.

In 1976, the conference committee which was working on the reauthorization of the Land and Water Fund, voted to ask the Interior Department to study the urban recreation situation.

The 1978 study was the result. UPARR was developed to meet the serious needs which were illustrated in that study.

UPARR is not a Federal giveaway program. Its purpose is to stimulate communitywide commitment to long-term planning, financing, operation, and maintenance of local recreation systems.

To participate in the program, communities must produce an inventory of their recreational stock and devise a long-term plan for its revitalization.

This is no easy task. But it has not dampened local enthusiasm for UPARR. Over 300 cities have pledged to complete UPARR Recovery Action Plans by the end of this year.

Over 1000 proposals for UPARR rehabilitation and innovation grants have been submitted.

One of UPARR's great strengths is that it "leverages" non-Federal investments by the use of a few Federal dollars. Grants are provided to those municipalities which demonstrate that they will use the Federal contribution to elicit local governmental and private contributions.

For example, in Jersey City, UPARR provided $225,000 for a community center. Private corporations, foundation, and nonprofit organizations came up with a million dollars. And I have indicated some other examples.

I fear that without UPARR, these non-Federal contributions will not be made. In a time of belt-tightening and fiscal austerity, parks and recreation will be at the bottom of most cities' list of priorities.

This is not to say that recreation is unimportant, but realistically, it cannot and should not compete with essential services like police protection and sanitation.

Without UPARR, city parks will continue to deteriorate. The young and old will find themselves unable to use their local parks. Neighborhoods near these parks will suffer as the blight moves outward from the parks. The millions of dollars invested in existing parks will be lost.

The elimination of UPARR at this time is a classic example of being penny wise and dollar foolish. UPARR is essentially a conservation program.

It encourages cities to preserve their existing capital investment in recreation facilities. It encourages them to examine what they have and make maximum use of these facilities.

Ending UPARR would be a signal to the cities that preservation of existing recreational resources is not a priority of the Federal Government.

Ironically, the Administration has made preservation and enhancement of existing facilities the cornerstone of its national park policy.

That same commitment should be applied at the local level. If UPARR is terminated, cities will most likely abandon their long-term plans for rehabilitation of recreational resources.

Rather, they will allow these facilities to deteriorate and plan for the day when Washington and the States will provide funding for new facilities. In the end, recreation needs will have to be met. The question is whether we will meet them now through incentives for preservation or meet them later with newer, more expensive facilities.

I trust that this subcommittee will recommend continued funding for the UPARR program.

It is a model of constructive Federalism. It is targeted to those cities and those populations most in need. It uses limited Federal

funds to elicit the maximum in local planning efforts and local financial contributions.

It conserves existing urban facilities and, through its emphasis on close-to-home recreation, encourages the conservation of gasoline as well.

It is not an example of a bloated Federal giveaway program, but is rather almost a textbook illustration of the type of Federal program most in keeping with these times of budgetary restraint.

Simply put, UPARR is a program worth preserving. Thank you for your time and your consideration.

Mr. YATES. Thank you. You have a sympathetic audience here. We have no questions.

Is there anything else you wanted to say?

Mr. BINGHAM. No, sir.

Mr. YATES. Thank you very much.

BLACKFEET HOSPITAL—BROWNING, MONTANA

WITNESS

HON. PAT WILLIAMS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MONTANA

Mr. YATES. Mr. Williams, we are glad to see you, Pat.

Mr. WILLIAMS. Thank you, Mr. Chairman. It is nice to see you again, Mr. Chairman.

Mr. YATES. Your statement may be made a part of the record.

Mr. WILLIAMS. Thank you. I appreciate the opportunity to appear again before this subcommittee in support of needed appropriations for first-phase construction of the Blackfeet Community Health Facility on the Blackfeet Indian Reservation in Browning, Montana, which is located in Montana's First Congressional District, which I represent.

Last year, this subcommittee and subsequently the 96th Congress, approved initial planning moneys for the Blackfeet facility. That was a major step forward.

President Reagan, in his budget package, proposed that that planning money be rescinded. This subcommittee wisely rejected that rescission and the Full Appropriations Committee just last week approved this subcommittee's action.

We think now is the time to propose the $8,250,000 for the first-phase construction of this badly needed medical facility. It was first determined that a new hospital was needed in 1968.

Since that time, many members of this committee have heard about the need for the hospital. For the past several years, you have heard about the need for the hospital from me.

I won't repeat what I have said before, but as you know, the need for the hospital has not diminished.

It remains the number one priority for the Blackfeet people. It remains the number one priority for Chief Earl Old Person, who has testified before this committee for the past 13 unlucky years for his cause.

Mr. YATES. We approved the planning for it, didn't we.

Mr. WILLIAMS. We approved the planning money. The President asked it be rescinded. You rejected the rescission. We are now asking for the first-phase planning money.

Mr. YATES. This is $8 million approximately?

Mr. WILLIAMS. $8,250,000. We are hopeful that now that the committee has again made its insistence that the planning money be allowed, that the committee will go ahead and appropriate the first-phase construction money.

Mr. YATES. I sympathize with our request because I remember Mr. Old Person and his testimony very well. This has been a priority of Indian Health Service for many years.

It is too bad that just as you are about to undertake construction of this needed facility, the budget limitations seem to sign the end of it.

Well, we will look at it very carefully.

Mr. WILLIAMS. I appreciate that.

Mr. YATES. I also want to tell you something you probably know. That relates to what I think is the attitude of the people of Butte toward me in the past on MHD.

I was burned in effigy 92 times, I suppose. But this year, the Administration requested rescission of $6 million from MHD, and we rejected that rescission, too.

So, we think it is a good program, and we are going to try to keep it going.

Mr. WILLIAMS. Let me clarify the Chairman's notion about folks out in Butte, which is my home town. I know folks there very well, they have been pleased that that facility has now been constructed. $40 million have been appropriated for that facility out of the total national money that has been appropriated of several hundreds of dollars.

People in Butte are very appreciative of this committee's interest and continued support, at times over difficult odds, of that facility.

The first test, you will be interested to know, was conducted two weeks ago. The first test was a success. And we certainly reject OMB's recommendation that we now hang an "out of business-closed" sign on that facility, which is brand new and standing there.

It would be like building the space shuttle and not firing it off. We are hopeful you will continue your support so that the good people in Butte will continue to like you.

Thank you very much, Mr. Chairman.

Mr. YATES. Thank you.

[The statement of Hon. Pat Williams follows:]

STATEMENT OF PAT WILLIAMS, WESTERN DISTRICT REPRESENTATIVE, STATE OF MONTANA

Mr. Chairman, I appreciate the opportunity to appear again before this subcommittee in support of needed appropriations for first-phase construction of the Blackfeet Community Health Facility on the Blackfeet Indian Reservation in Browning, Montana which is located in Montana's First Congressional District, which I represent.

Last year this subcommittee and subsequently the 96th Congress, approved initial planning monies for the Blackfeet facility. President Reagan, in his budget package, proposed that that planning money be rescinded. This subcommittee wisely rejected that rescission and the Full Appropriations Committee just last week approved this subcommittee's action.

76-703 0 - 81 - 49 (6b)

Now that those planning monies are, hopefully, well on their way toward being restored—it is time to appropriate the $8,250,000 needed for first phase construction.

It was first determined that a new hospital was needed for the Blackfeet Nation in 1968. It is now 1981 and this hospital is still not built and still desperately needed.

When I testified before this subcommittee last year, I mentioned that the close proximity of the Blackfeet Reservation to Glacier National Park placed an extra burden on hospital personnel and facilities particularly in emergency situations. I stated in my testimony last year an the Amtrak derailment just outside of East Glacier resulted in the Browning Hospital treating more than 40 injuries. This year, there was another derailment and medical personnel and equipment were again made available, placing even greater pressures on this understaffed and small facility.

It is past time to get this hospital built. Its construction remains the number one priority of the Blackfeet Nation. It remains the number one priority for Chief Earl Old Person, who, as you know, Mr. Chairman, has appeared before this subcommittee for the last 13 unlucky years requesting funds for this hospital.

Mr. Chairman, I thank you for the chance to appear before your subcommittee in support of first-phase construction monies for the Blackfeet Health Facility, and I sincerely appreciate your past good efforts to move this matter along.

U.S. FISH AND WILDLIFE ADMINISTRATION BUDGET

WITNESSES

HON. JOHN B. BREAUX, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF LOUISIANA

HON. EDWIN B. FORSYTHE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

Mr. YATES. The statements by Mr. Breaux and Mr. Forsythe will be received for the record.

[The joint statement of Hon. John B. Breaux and Hon. Edwin B. Forsythe follows:]

JOINT STATEMENT OF
HONORABLE JOHN B. BREAUX AND HON. EDWIN B. FORSYTHE
BEFORE THE
SUBCOMMITTEE ON INTERIOR
IN REGARD TO DEPARTMENT OF THE INTERIOR APPROPRIATIONS
MAY 4, 1981

Mr. Chairman, we welcome the opportunity to appear here today to testify on appropriations for the Department of the Interior, and in particular, the Fish and Wildlife Service. The recommendations that we are making to you are the same as those the Merchant Marine and Fisheries Committee submitted to the Budget Committee and, as such, represent not only Mr. Forsythe's and my views, but also those of the entire Committee.

These recommendations are the result of a considerable effort by the Members of our Subcommittee and we think they represent a rational approach to reducing Federal expenditures while at the same time continuing those services necessary to conserve fish and wildlife resources.

We have submitted a summary of our proposed increases and decreases to the Administration budget and we will discuss some of those recommendations in more detail. Before we do that, however, we would like to outline for you the broad, and we believe sound, principles we followed in developing our recommendations.

First, we believe that the State-Federal cooperative efforts throughout the field of fish and wildlife management must be maintained in order to properly conserve our wildlife. While we believe that grants and subsidies to states can be reduced, we also believe that the reductions should be carried out in an impartial manner. In other words, we should not be completely eliminating funding to the States for some programs while at the same time increasing funding in others. Thus, we have recommended restoring some of the Administration's cuts in the Cooperative Fish and Wildlife Units Program, as well as funds for programs which provide Endangered Species and Anadromous Fish grants to States. In order to balance these increases, we have recommended decreases in the resident wildlife component of the Animal Damage Control Program and that part of the fish hatchery program which supports recreational fisheries in State waters. These programs, no less than the Cooperative Units Program and the Endangered Species Grant Program, are subsidies to State agencies.

Second, we believe that in these times of increased energy and strategic minerals production, which we support, we should not reduce that component of the Fish and Wildlife Service which examines and comments on the effects of those activities on fish and wildlife. Consequently, we have recommended increases in the Service's Habitat Preservation and Endangered Species Programs.

Third, we are convinced that the administration of the Fish and Wildlife Service can be streamlined. We have recommended a decrease in funds for the area offices because we think their function is duplicative of the activities carried out in the regional offices. We have also recommended cuts in the program and budget staffs of the Director and various program managers because of an overlap of their responsibilities.

Finally, we believe that the Fish and Wildlife Service should not be singled out for reductions while the budgets of other agencies with similar missions are left virtually unscathed. For example, the Park Service construction budget was left untouched while the Fish and Wildlife Service construction budget was reduced by 75 percent. We do not believe the Fish and Wildlife Service, with its important mission, should be the poor stepchild in the appropriation process.

Mr. Chairman, we will be happy to go into any of our recommendations in more detail and we offer the services of our subcommittee staff to work with you and your staff to provide any additional information or materials regarding our recommendations which you may require. We would like to discuss a few of our more important proposals briefly.

We cannot overemphasize the importance of maintaining the credibility of the Refuge Revenue Sharing Fund. The legislation that established that system was substantially amended in 1978 and we believe that it addresses the particular requirements of the Refuge System. Unlike Parks, many refuges do not produce benefits to the surrounding localities. When they are set up to conserve migratory birds, the benefits accrue to the whole flyway. When they are set up to protect endangered species, they likewise serve to promote a national interest. The Refuge Revenue Sharing Act recognizes the burdens placed on communities by the Refuges located in their districts and provides some compensation for this. The money we are recommending represents the amount we believe necessary to maintain our commitment to the local governments of those areas containing refuges. We have proposed that $5 million be taken from the $45 million budget the Administration has recommended for the Bureau of Land Management's Payment in Lieu of Taxes Fund. We understand that the Administration plans to introduce legislation to include the Refuge Revenue Sharing payments in that fund.

We also wish to emphasize the need for continuing support for the Cooperative Units Program. These programs bring the Federal and state fish and wildlife management agencies together with academic institutions to focus research on the actual needs of wildlife agencies and to train our wildlife managers of the future.

Finally, Mr. Chairman, although it is not included in our summary and was not a part of our Committee's budget recommendations, we would like to address the proposed appropriations for the Land and Water Conservation Fund. The moratorium that Secretary Watt has recommended on Federal acquisition of park, forest and refuge lands makes no sense for wildlife refuges, if it makes sense at all. Along the delta of the Mississippi River, for example, we are losing bottomland hardwood habitat at the rate of about 300,000 acres per year. Most of that type of land has already been cleared for agriculture. If we wait, it will soon be gone forever. That would not only be a tragedy from the point of view of resident wildlife resources, it could have a substantial impact on migratory birds, as this habitat provides resting areas for both songbirds migrating to and from South America and wintering areas for waterfowl migrating from Canada and the upper midwest. President Carter had included funding for acquisition of the Tensas River National Wildlife Refuge and the Bogue Chitto National Wildlife Refuge--both bottomland hardwood areas--in the Land and Water Conservation Fund budget. We think those funds should be retained.

The argument for purchasing endangered species habitat is perhaps even stronger. In some instances, habitat acquisition will make the difference between survival and extinction. In this regard, we ask that you give particular attention to the funding for habitat for the American crocodile in Florida.

Mr. Chairman, thank your for the opportunity to testify. As I stated before, we will be happy to answer any questions and our staff is at your disposal for any additional material or information.

FISH AND WILDLIFE SERVICE

Recommended Increases To Reagan Administration Budget
Totalling $18,000,000

I.	Resource Protection		
	A. Habitat Preservation		
	1. Coal operations	$ 750,000	
	2. Coal Research and Development	250,000	
	3. Permits and Licenses	500,000	
	4. Water Resource Analysis	500,000	
	5. Coastal/OCS	200,000	
	6. Cooperative Fish and Wildlife Units	3,000,000	
	Habitat Preservation - - - - - - Subtotal	$ 5,200,000	
	B. Wildlife Resources		
	1. Marine Bird Research	$ 250,000	
	2. Alaska Caribou Study	300,000	
	3. Nongame Program	1,000,000	
	Wildlife Resources - - - - - - Subtotal	$ 1,550,000	
	C. Fisheries Resources		
	1. Bristol Bay Study	$ 500,000	
	2. Fishery Research Operations & Management	250,000	
	Fisheries Research - - - - - - Subtotal	$ 750,000	
	D. Endangered Species		
	1. Grants to States	$ 2,000,000	
	2. Recovery and maintenance	1,000,000	
	3. Law enforcement	500,000	
	Endangered Species - - - - - - Subtotal	$ 3,500,000	
	Resource Protection ----------	TOTAL	$11,000,000
II.	Construction and Anadromous Fish		
	A. Grants to States - - - - - - Subtotal	$ 1,250,000	
	B. Striped Bass program - - - - - - Subtotal	$ 750,000	
	Construction and Anadromous Fish ----------	TOTAL	$ 2,000,000
III.	Refuge Revenue Sharing ----------	TOTAL	$ 5,000,000
		GRAND TOTAL	$18,000,000

Recommended Decreases To Reagan Administration Budget
Totalling $18,000,000

Cuts Within The Fish and Wildlife Service

I.	Resource Protection		
	A. Animal Damage Control Resident Wildlife Operations	$ 4,000,000	
	B. Fish Hatcheries	3,500,000	
	C. Administration		
	1. Area Offices	1,000,000	
	2. Program & Budget Offices	700,000	
	Resource Protection ----------	TOTAL	$ 9,200,000

Cuts From Other Agencies Within The Department of Interior

I.	Bureau of Land Management-- Payment in Lieu of Taxes Fund ----------	TOTAL	$ 5,000,000
II.	U.S. Park Service Park Construction Fund ----------	TOTAL	$ 3,800.000
		GRAND TOTAL	$18,000,000

[Recess.]

Mr. YATES. Hello, Tom. We are moving quickly.

We are delighted to have Congressman Railsback with us this morning.

ENERGY INFORMATION ADMINISTRATION BUDGET

WITNESS

HON. TOM RAILSBACK, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. RAILSBACK. Thank you.

Mr. YATES. Our old friend, good golfer and outstanding basketball player.

Mr. RAILSBACK. Well, not as outstanding as you were, Mr. Chairman.

Mr. YATES. Oh, much more so.

Mr. RAILSBACK. Back in your day. I think I am joining——

Mr. YATES. I don't want to shut you off, if you want to go ahead. Your statement may be made a part of the record.

[The statement of Hon. Tom Railsback follows:]

STATEMENT BY REPRESENTATIVE TOM RAILSBACK
BEFORE THE APPROPRIATIONS
SUBCOMMITTEE ON THE INTERIOR
MAY 4, 1981

Mr. Chairman, members of the Subcommittee, I appreciate this opportunity to testify. I am testifying as a Steering Committee member of the Northeast-Midwest Congressional Coalition, an organization deeply concerned about the budget cuts proposed for the Energy Information Administration (EIA). I have already expressed my concern, and both you and Congressman Loeffler kindly referred my questions to the EIA for a response. The answers have been helpful.

We all know that the rising cost and shrinking world supply of energy have altered the international balance of power. But less well known is another and possibly more disruptive change: a shift in the economic balance of power within the United States. In our region, energy prices are higher, climates colder, dependence on foreign oil greater, and the capacity to tap conventional energy sources less than in most Southern and Western states.

Within this context, the Northeast-Midwest Congressional Coalition -- a bi-partisan alliance of more than 200 members of Congress from the 18 Northeastern and Midwestern states -- is developing an energy agenda for the 97th Congress. One of the energy agenda items will be to protect the ability of the EIA to continue to provide independent, accurate and reliable energy information at its present level. Without a source of independently gathered, reliable information, Congress will not be able to establish and maintain national energy policies which are in the best interest of this nation. At a time of oil and gas price decontrol, heightened conflict in the Middle East and the enormous transfer of capital to oil producing states and private companies, the Energy Information Administration must not be weakened. Congress must not be made dependent on private industry for its energy information. Congress must protect its source of unbiased information.

So, speaking for myself and the Northeast-Midwest Congressional Coalition, I feel the EIA must remain the central energy data bank. State level information in all sectors of the economy must be, at minimum, maintained and, if possible, improved. Small and medium-sized wholesaler (jobber) and dealer data bases must be further developed. Industrial and commercial consumption and price statistics must be given more emphasis, not less. The Energy Emergency Management Information System (EEMIS) must be updated and maintained. Personally, I want to pursue efforts to maintain the Financial Reporting System (FRS).

THE EIA MUST REMAIN THE CENTRAL ENERGY DATA BANK

Our overriding concern is the EIA's ability to maintain and improve its unbiased energy data bank. Section 205(a)(2) of the Department of Energy Organization Act of 1977 specifically created the semi-independent agency as the "central, comprehensive, and unified energy data and information program" and, in the conference report, conferees state that "It is the intent of the conferees, by the establishment of this Energy Information Adminstration, to eliminate duplication and overlap now existing in energy information programs."

The need for reliable information that was not dependent on industry sources became apparent during and after the 1973 oil embargo. The resulting energy shortage and price increases caused constituents to clamor for unbiased data proving that a shortage was, in fact, real. Policymakers realized they needed accurate and timely information to deal with emergencies and to predict future shortages. Having a central source of relatively unbiased information became

essential. So in 1974, during the Ford Administration, Congress established the Federal Energy Administration (FEA) which, among many responsibilities, was to have a central, comprehensive energy data capability. In 1977, the EIA took over the FEA's authority to collect and maintain data, along with the data activities of the Federal Power Commission and the Bureau of Mines.

The years since EIA began consolidating many different programs have been understandably difficult. The Senate Committee on Governmental Affairs and the Congressional Research Service have attempted to delve into the problems associated with meeting information needs of many different organizations with many different goals. Among several problem areas are possible overuse of contractors and data collection. The December 1980 Governmental Affairs staff report goes so far as to indicate that "...it is not the comprehensive repository of energy information envisioned by Congress when it was established."

According to the staff report, EIA levels of personnel have not been adequate, thereby forcing the Agency to contract out for such work as goal-setting and planning and design of new systems, all of which should be done by EIA employees. EIA originally requested new positions for FY 1982, but is instead forced to cut the number of employees by as many as 50 in FY 1981 and approximately 200 in FY 1982. By using contractors, EIA is losing potential experience and, in many cases, experienced employees to these contractors.

EIA's data collection activities have been cited as top priority by policymakers and, since 1977, EIA has been struggling to pull together widely different programs to meet widely different goals. Since deregulation of oil and oil products, EIA will not have the dilemma of meeting specific regulatory requirements and, at the same time, developing broader statistical information for policymakers. (The Federal Energy Regulatory Commission will continue to monitor natural gas and utilities, of course, but the EIA budget provides more funds for these activities.) The EIA uses this rationale for terminating many data collection activities. Some are not needed. However, others are essential. Examples are:

State Level Information

The state level data collected by EIA is crucial for tracking the regional and state impact of energy policies. It is information required for informed policy decisions for many energy programs, including low income energy assistance and low income weatherization. EIA has the most complete energy consumption and price level data on a comparative basis for states. The data allows the Coalition to develop comparisons, such as those in the Coalition report, "State Household Energy Costs." For example, the data permits me to determine that my home state of Illinois has had a 162 percent increase in energy costs during the period 1970 to 1978.

The proposed reduction in the EIA budget, and particularly the personnel cuts, would result in the loss of accurate state level information on industrial and commercial energy prices and consumption. For example, EIA has undertaken an indepth study of industry investment in energy efficient equipment. This study has been discontinued and proposed budget cuts will erode present levels of information on energy use and price in both the industrial and commercial sectors. Yet, we now know that household energy costs vary nearly 300 percent between states. Energy costs could vary substantially for the commercial and industrial sectors as well. Surely, accurate information about energy costs and the effect of current national policy on those costs are absolutely essential to the economic well-being

of every part of the nation. Yet, Congress would be unable to have the information if proposed EIA budget cuts are accepted without modification.

In discussions with people from the Illinois Institute of Natural Resources, my staff learned that Illinois depends on EIA information since it does not collect data and probably will not collect it even if EIA discontinues its efforts. Furthermore, the basis of comparison with other states would be lost. Also, the EEMIS is important to states since a coordinated system is needed to anticipate and handle shortages. Therefore, maintaining and even improving state level data collection and publication -- currently not available from any other source -- is imperative.

A Jobber and Dealer Data Base

I understand the EIA plans to concentrate oil and oil product data collection activities on major refiner-marketers and importers. This is unfortunate since consumers normally obtain their supplies of motor gasoline and home heating fuel from independent jobbers and dealers, not from marketer-refiners. According to December 1980 EIA market share information, only 19.8% of our gasoline was supplied by refiner-marketers, while 43.5% of our middle distillates (which includes diesel and home heating fuel) were supplied by refiner-marketers. Price and market share information is important if members of Congress are to assess the impact of decontrol on constituents, states and regions. If we are to monitor price and supply information on motor gasoline and home heating fuel, we need data on the small and medium-sized jobbers and dealers who provide 80.2% of our gasoline and 57.5% of our middle distillates.

Statistics on the major, integrated oil companies and large refiners are not difficult to acquire because the data base is relatively small and records are kept by several private and public organizations. However, the data base on jobbers and dealers runs into the thousands and is potentially expensive to collect. I understand EIA has begun to survey jobbers and dealers, but that, after conducting a cost-benefit analysis is proposing to place more reliance on industry and other government sources for collection of information pertaining to jobbers and dealers.

I question that approach. The information is incomplete and diffused. For instance, EIA's "Petroleum Market Shares," which reports on retail sale of gasoline relies on Census Bureau figures for branded and nonbranded independents. The data includes firms receiving at least 50% of their revenue from gas sales. So, operations such as car washes, establishments primarily servicing automobiles, and convenience stores are excluded. I would not expect EIA to survey every single business, but an EIA-developed data base that is an accurate reflection of the real world is essential.

Even EIA acknowledged in its response to one of my questions that: "A data collection effort centered on gathering information from refiner-marketers and importers will not provide, in and of itself, sufficient information for policymaking. Whenever EIA feels it necessary, ... wholesalers/distributors will be surveyed and relevant data obtined. These data, taken in conjunction with data collected by the Lundberg Survey and the Bureau of Labor Statistics, may be sufficient." (emphasis added) So, while acknowledging that information on refiner-marketers and importers

"will not provide, in and of itself, sufficient information for policymaking," EIA plans to survey wholesalers/distributors only "whenever EIA feels it necessary" and to use industry and other government data which may be sufficient.

Consumption Statistics and the EEMIS

The Coalition is also interested in maintaining and protecting industry and commercial consumption surveys, scheduled for termination, and the Energy Emergency Management Information System (EEMIS), which will be scaled down. The Senate Governmental Affairs staff report indicates that consumption data is weak and that: "All energy researchers working on conservation and energy demand problems stated in interviews for this report that the data on where, how and why energy is consumed is an area where relevant data are extremely scarce." As you know, the Harvard Business School report, Energy Future, cited conservation as a major source of energy, and we believe the data should be available.

The National Energy Plan of 1977 called for a system to aid decisionmakers during energy emergencies. The basice EEMIS was completed in 1980, although EIA had planned to add fuel types and user lists. It seems to me that the availability of information consolidated into one system would be essential during an emergency.

FINANCIAL REPORTING SYSTEM (FRS)

In addition to the Coalition's concerns, I would like to bring up another topic of special interest to me, namely the Financial Reporting System (FRS). I feel it must not be eliminated. The cost -- $1,028,000 -- is relatively low, and the FRS will be helpful to members of Congress now that decontrol is a reality. We assumed Congress, with EIA information, could monitor price and supply of oil and oil products, as well as company profits and holdings, to protect consumers.

According to the Congressional Research Service (CRS), the FRS is the only source of industry data using consistent definitions so companies can be easily compared, and the information is complete. CRS researchers find FRS data invaluable when attempting to answer questions from members of Congress, Committee staff, and constituents. Without the information, answers will be difficult to develop and, at times, impossible to answer.

While criticism of the EIA exists, it is generally considered to have improved to the point where programs are in place, the personnel know what they are doing, and the information is reputable. Dismantling several programs which have taken years to complete at this point would be wasteful. We are not now facing a shortage, so a sense of crisis does not exist. Statistics are not glamorous. However, I fear we will terminate or sharply curtail programs that would prove essential during an emergency, in monitoring prices and supplies, and in predicting another shortfall.

Thank you for the opportunity to testify on this important matter.

Mr. RAILSBACK. Thank you, Mr. Chairman. I am not going to read all of the statement, but it does——

Mr. YATES. That's good. As a member of the Midwest-Northeast Congressional Coalition, I know what your thrust is. I will be very glad to hear as much of it as you want to give us.

Mr. RAILSBACK. Since I have already written you a letter, I think I will limit my remarks.

Number one, I am testifying as a Steering Committee member of the Northeast-Midwest Congressional Coalition. We have been working with them. They have been enormously helpful and very supportive.

Having said that, I think what I would like to do is simply tell you how I happened to get interested in the Energy Information Administration budget.

I want to make it very clear that I am certainly not an expert on the Department of Energy, but I feel very strongly that the EIA must be able to maintain, and even improve, what I call its unbiased energy data bank.

The reason is that I am concerned with the very pervasive and deep skepticism, if not outright cynicism, on the part of many Americans about the true state of our energy situation.

I am sure that the people in your district, Mr. Chairman, just like mine, have questioned the integrity of the oil companies, as well as the information available to the American public.

In other words, I go back, I campaign, I talk about energy. And they say, "Well, is there really an energy shortage? Is this thing all contrived?"

They have a great deal, in my opinion, of distrust. And I happen to think that it is with good reason that they are skeptical.

For one thing, in the past, we have had to rely on the industry itself to provide statistics, the American Petroleum Institute, which is, as you know, an industry organ.

Then I came across an article in which two Pulitzer Prize winning journalists, writing for the Philadelphia Inquirer, alleged that the 1973-74 oil crisis was artificial, and that oil company actions and government inaction contributed to the 1979 shortage, as much as the shut-off of Iranian supplies.

In other words, what they were saying in that article is that there really should have been a glut situation, but everybody over here thought that there really was a genuine shortage.

And they talked about—I forget how they characterized it—the fact that the major oil companies depleted some of the inventories in this country—the refineries—and they hinted that the shortage was manipulated.

More recently, back in my Illinois district, some retail gas station owners told me that they feel some of the major oil companies are trying to force independents out of business.

I realize the Department of Energy reported that the allegation is not true. They say it is just a normal result of the current economic situtation.

But then, I understand that the Small Business Committee, Subcommittee on Energy, Environment and Safety Issues, has already held hearings on a bill which calls for the major refiners to divorce themselves from retail stations.

So again, I think that what we in Congress should be doing is trying to find out what the facts are. And in my opinion, the best way for us to get the facts is to use the government for a very legitimate purpose, and that is to have the government be the information data bank, rather than the industry itself.

I would like to express my personal opposition to eliminating the financial reporting system. We are knocking out altogether, a system which requires 27 major oil companies, as I understand it, to give information that is relevant to their profits and their reserves, a system which I heartily favor. I think requiring such information is a good idea.

Mr. YATES. That is fine. Thank you, Tom.

Mr. RAILSBACK. Thank you.

Mr. YATES. Appreciate it.

SANTA MONICA MOUNTAINS; FIRESCOPE; CALIFORNIA CONDOR

WITNESS

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

Mr. YATES. Mr. Goldwater, we are pleased to have you appearing before us.

Mr. GOLDWATER. I am appearing in support of birds, forest fires and parks.

Mr. YATES. Your statement may be made part of the record.

Mr. GOLDWATER. I have three different topics I want to talk on.

Mr. YATES. For which you want money. Santa Monica, Firescope and the California condor. Tell us about all three.

Mr. GOLDWATER. I will start with the Santa Monica Mountains. You are fairly aware of the situation.

Mr. YATES. The only thing you and I have to worry about is whether or not Mr. Reagan is interested in making it a park.

Mr. GOLDWATER. He is. When he was Governor, the only lands that had been acquired so far in these mountains through the land and water conservation program took place when he was Governor. They acquired some 22,000 acres.

Mr. YATES. His friend, his secretary, Mr. Watt, and Mr. Stockman, they both want the money out of there to buy the land, out of the budget.

Mr. GOLDWATER. Mr. Chairman, I am a big supporter in general of the President's program. I think generally speaking most of us are. Obviously we have our own parochial interests. We have to work for them in that relationship. I happen to feel that the Secretary of the Interior, along with the President, is somewhat wrong as far as zeroing out all the funds for these programs. I can see that their budget, sharing part of the effort—I think we have gone too far when we put a big zero in there.

SANTA MONICA MOUNTAINS

Specifically on the Santa Monica Mountains, the need for an urban park and open space in the middle of the Los Angeles area, one of the largest populations in the United States, is necessary.

76-703 (6b) O - 81 - 50

I have some pictures here showing the City of Los Angeles. The next one is when the smog rolls in. The third one shows——

Mr. YATES. Does the smog go into the Santa Monica Mountains?

Mr. GOLDWATER. It certainly does. The Santa Monica Mountains is sort of a breezeway.

Mr. YATES. Do you mean people can breathe there?

Mr. GOLDWATER. The air comes in from the northwest through the Santa Monicas, and if we allow as dense a population as you see there to develop, that is exactly what——

Mr. YATES. Is that a development in the Mountains?

Mr. GOLDWATER. That is on the edge of the mountains. It is slowly moving northwest through these mountainous areas. As it does, it contributes to the smog situation.

The issue of urban land use has always been a complex program. While local government has been basically responsible for the designation of urban lands, it has been federal funding and involvement that has been greatly contributing to what is happening in our cities.

The Secretary is trying to make a case that this is strictly a local problem and should be addressed in a local way. To some degree I can agree, but——

Mr. YATES. How much do you agree with it?

Mr. GOLDWATER. I have to point out there is a federal contributing factor here. The highway programs that spurred the development of freeways. It was water treatment kinds of grants that spurred the development of adjacent cities. It was tax incentives that helped convert closed-in agricultural lands into housing tracts and redevelopment projects which created densely populated situations in our cities.

In other words, it was the Federal carrot and stick situation that created the problems we are finding in our very densely populated cities. What is needed is a certain amount of relief.

We cannot turn our backs on the fact that the Federal contribution to the problem doesn't go away just because all of a sudden we decide that we have to balance the budgets and what-have-you. It is still a problem that the Federal government had a help in creating.

I think we have a responsibility there to continue to help unravel and solve some of these programs.

The federal government shares in creating the existing urban crunch described by Los Angeles County planners as urban blight, congestion, pollution, economic decline, and explosive social unrest. We simply cannot walk away from it.

Therefore, I am here to request funding to continue the land acquisition program that was started.

While we face a challenge to our economic health, we must also face the degradation of the quality of life in our urban areas to help meet this challenge.

In addition to that, Mr. Chairman, I would like to stand in strong support for some kind of level of a continuing effort in the land and water conservation total program as was originally drawn up and intended by the Congress.

Mr. YATES. This committee, as you know, rejected the requested rescission by the Administration for land and water funds for the year 1981. I assume you won't object to that?

Mr. GOLDWATER. Mr. Chairman, I have no big problem with that. I really don't. I am in general agreement with the President,

maybe 80, 90 percent. There are some areas where I think they were not accurate in some of the things that they did.

In support of this testimony, Mr. Chairman, I have here some 20,200 signatures.

Mr. YATES. That beats the amount we got this morning from Mr. Beilenson.

Mr. GOLDWATER. That is a lot of signatures.

Mr. YATES. I think we only got about 20,000 this morning.

Mr. GOLDWATER. That is a lot of signatures, a lot of effort.

Mr. YATES. How many of those people voted for Reagan?

Mr. GOLDWATER. I don't know.

Mr. YATES. Excuse me. Voted for the Reagan budget.

We know about Firescope.

Mr. GOLDWATER. Mr. Chairman, let me summarize that real quickly. They are doing a good job.

Mr. YATES. We think it is a very good program. I am sympathetic to it. I hope the members of the committee will be.

CALIFORNIA CONDOR

Mr. GOLDWATER. Here is a guy you will just love. He is a carnivorous buzzard, is what he is. He has a wing span of nine feet. He is the largest bird in the world.

There's only about 20 or 30 of these things left. The U.S. Fish and Wildlife Service has a captive breeding program, a program to try to save these birds from extinction.

Mr. YATES. No money in the budget for it, barely.

Mr. GOLDWATER. No. In 1982 it was authorized—presented $250,000 for 1982. Unfortunately we need more than that. We need an additional $200,000, a total of $447,000.

Mr. YATES. Is my memory correct? Did I read or hear some place that even though we tried to save the California condor and put adequate funding in there, the chances of doing so are very remote?

Mr. GOLDWATER. That was the original thinking. They are having some real successes. There were two chicks hatched. One died. The other one just recently is flying. The mother and father are beginning to leave it alone. They feel they have a chance. They are not overly optimistic, but they have learned a lot from studying the Andean condor in how to capture it, what kind of program to structure.

The people involved in this feel very optimistic. They are very excited about it. The monies that have been authorized by the Congress have been matched dollar for dollar by the National Audubon Society. They are behind the program. It looks good. It is a long shot.

Mr. YATES. I agreee with you. It would be unfortunate if the species were to die out. I was in Charleston recently and was shown pictures on one of the plantations of a beautifully colored parrot that used to live on their plantations down there. It was rendered extinct. Its plumage was so beautiful that the birds were shot and their plumage was used on ladies' hats.

Inside of a year they were gone; within two years, they were gone. It would be a tragedy if this bird were to go the same route. I will present your case to the committee. I hope we can be helpful.

Mr. GOLDWATER. Mr. Chairman, Firescope, you know about that; the condor, the Santa Monica Mountains.

Mr. YATES. You did well. Think twice about voting for Graham-Latta.

Mr. GOLDWTAER. I don't think this is fair.

Mr. YATES. What you are asking us is to go outside Graham-Latta.

Mr. GOLDWATER. I would suggest the Jones bill doesn't have it in there either. I don't know who you vote for.

Mr. YATES. Vote for our bill then.

[The statements of Hon. Barry Goldwater, Jr. follow:]

The Honorable Barry M. Goldwater, Jr.
Subcommittee on Interior - Testimony; Santa Monica Mountains

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE: THE PURPOSE OF THIS HEARING IS TO DISCUSS THE APPROPRIATIONS OF PUBLIC FUNDS TO MEET THE PUBLIC NEED. IN THIS CONTEXT, I WOULD LIKE TO DISCUSS THE NEED AND PURPOSE OF SUCH FUNDING.

I WANT TO DISCUSS THE NEED FOR NATIONAL URBAN PARKS, AND MORE SPECIFICALLY, THE NEED FOR AN URBAN OPEN SPACE AND PARK IN THE CENTER OF THE LOS ANGELES METROPOLIS, ONE OF THE LARGEST URBAN POPULATIONS IN THE UNITED STATES, THE SANTA MONICA MOUNTAINS AND SEASHORE.

> "The Range, together with the adjoining beaches, forms the greatest untapped natural resource in the second largest metropolitan area in the nation." (Secretary of Interior W. Hickel)

IT CONTAINS THE ONLY MAJOR NATURAL OPEN SPACE AND COASTAL ZONE AVAILABLE TO MEET THE RECREATIONAL AND ATTENDANT HEALTH GIVING SPACES FOR AN URBAN POPULATION OF NEARLY TEN MILLION PEOPLE.

> "If all of the Santa Monica Mountains were available they would not be enough to serve the recreational needs of Los Angeles." (William Penn Mott, Former Director of California Department of Parks & Recreation)

THE ISSUE OF URBAN LAND USE HAS ALWAYS BEEN A COMPLEX PROGRAM. WHILE LOCAL GOVERNMENT HAS BEEN BASICALLY RESPONSIBLE FOR THE DESIGNATED USE OF URBAN LANDS, IT HAS BEEN FEDERAL FUNDING AND INVOLVEMENT THAT HAS GREATLY CONTRIBUTED TO WHAT HAS HAPPENED IN OUR CITIES: FEDERAL FUNDING HELPED CREATE THE FREEWAYS WITHOUT TIMELY CONSIDERATION OF PUBLIC TRANSIT ALTERNATIVES; FEDERAL PROGRAMS MADE FOR REDEVELOPMENT PROJECTS WITHOUT CONCERN FOR THE QUALITY OF LIVING CREATED BY SUCH PROJECTS; FEDERAL TAX INCENTIVES HELPED CONVERT CLOSE-IN AGRICULTURAL LANDS INTO HOUSING TRACTS WITHOUT CONSIDERING

WHAT THE LOSS OF THOSE UNIQUE FOOD PRODUCING LANDS WOULD DO TO THE COST OF FOOD; AND FEDERAL FINANCING FOR HOUSING FAR FROM PUBLIC SERVICES ONLY INCREASED THE COSTS OF THOSE SERVICES AND HELPED PERPETUATE URBAN SPRAWL.

GUIDED BY THIS KIND OF UNCOORDINATED FEDERAL FUNDING, LOCAL GOVERNMENTS CONTRIBUTED ADDITIONAL SHORT-SIGHTED LAND USE POLICIES WITHOUT EVALUATING THE LONG-RANGE CONSEQUENCES NOR THE OVERRIDING COST OF SERVICES.

THUS, THE FEDERAL GOVERNMENT SHARES IN CREATING THE EXISTING "URBAN CRUNCH" DESCRIBED BY LOS ANGELES COUNTY PLANNERS AS "URBAN BLIGHT, CONGESTION, POLLUTION, ECONOMIC DECLINE AND EXPLOSIVE SOCIAL UNREST", AND WE CAN'T SIMPLY WALK AWAY FROM IT.

AFTER TWENTY YEARS OF EFFORT ON THE PART OF THOUSANDS OF VOLUNTEERS, AND AFTER TEN YEARS OF PROMISE AND ACHIEVEMENT IN FEDERAL RECOGNITION, I THINK THAT IT IS VITALLY IMPORTANT THAT WE COMPLETE THE SAVING OF THE SANTA MONICA MOUNTAINS AND SEASHORE.

THEREFORE, I'M HERE TO REQUEST FUNDING TO CONTINUE THE LAND ACQUISITION PROGRAM THAT HAS STARTED.

GENTLEMEN, WHILE WE MUST FACE THE CHALLENGE TO OUR ECONOMIC HEALTH, WE MUST ALSO FACE THE DEGRADATION OF THE " QUALITY OF LIFE" IN OUR MAJOR URBAN AREAS, AND EQUALLY MEET THIS CHALLENGE.

IN 1972, I HAD THE OPPORTUNITY TO ADDRESS THE HOUSE SUBCOMMITTEE ON NATIONAL PARKS AND WILDLIFE WHICH WAS THEN CONDUCTING THE NATIONAL FORUM ON OUTDOOR RECREATION.

THAT NATIONWIDE FORUM LED TO THE PREPARATION OF THIS DOCUMENT (OUTDOOR RECREATION - A LEGACY FOR AMERICA). AND SO I FEEL ON SOMEWHAT FAMILIAR GROUNDS WITH THE ADMINISTRATIVE AUTHOR OF THE DOCUMENT, MR. JAMES WATT WHO, AT THE TIME, HEADED THE BUREAU OF OUTDOOR RECREATION.

I WISH TO QUOTE FROM MR. WATT'S POLICY STATEMENT: "TO INCREASE THE AVAILABILITY OF RECREATION RESOURCES, THE FEDERAL GOVERNMENT WILL - CONTINUE TO UTILIZE THE LAND AND WATER CONSERVATION FUND TO ACQUIRE NEEDED FEDERAL LANDS AND ASSIST THE STATES IN ACQUIRING AND DEVELOPING RECREATION LANDS AND FACILITIES. AS DEMANDS FOR FEDERAL ACQUISITIONS ARE REDUCED, MORE OF THE FUND MONIES WILL BE MADE AVAILABLE TO THE STATES."

MR. CHAIRMAN AND MEMBERS, LIKE YOURSELVES AND LIKE MR. WATT, I AM INTERESTED IN ELIMINATING WASTE, IN REDUCING INFLATION, IN MINIMIZING FEDERAL INVOLVEMENT WHEREVER REASONABLE AND POSSIBLE, AND OF SUPPORTING AND ENCOURAGING LOCAL AND STATE EFFORTS TO ACHIEVE SOLUTIONS TO LOCAL AND STATE PROBLEMS....

BUT I CANNOT SUPPORT CHANGING THE LAW, NOR INTENT, OF THE LAND AND WATER CONSERVATION FUND.

SENATOR JAMES McCLURE EXPRESSED HIS VIEW THAT "THE LAND AND WATER CONSERVATION FUND WAS INTENDED AS A TRUST FUND, BECAUSE WE HAD BEEN UNABLE TO GET A SUFFICIENT AMOUNT OF MONEY IN THE APPROPRIATIONS PROCESS TO SUSTAIN A SUITABLE LEVEL OF ACTIVITY IN THE DEVELOPMENT OF OUTDOOR RECREATION OPPORTUNITIES."

I PERSONALLY BELIEVE THAT THE USE OF THE LAND AND WATER CONSERVATION FUND TO PROVIDE FOR NEEDED URBAN RECREATION LANDS IS A PROMISE - A TRUST- TO THE PUBLIC.

FURTHER, SINCE THE FUND IS FINANCED FROM THE SALE OF SURPLUS FEDERAL PROPERTY, FROM FEDERAL MOTORBOAT FUEL TAXES, RECREATION USER TAXES, AND FROM PART OF THE REVENUES FROM FEDERAL OIL AND GAS LEASES ON THE OUTER CONTINENTAL SHELF, IT'S CONTINUED USE TO SERVE THE RECREATIONAL NEEDS OF THE COUNTRY IS APPROPRIATE, AND SHOULD NOT EFFECT OUR BUDGETARY CONSIDERATIONS.

MY POINTS ARE SIMPLY THESE:

1) THAT THE LAND AND WATER CONSERVATION FUND IS DERIVED, IN EFFECT, FROM USER FEES;
   THAT THE FUND IS INTENDED TO REPLENISH OR REPLACE THE KIND OF RESOURCE THAT IS BEING USED -- OR USED UP.
   THAT THE FUND IS, IN EFFECT, A TRUST -- AND SHOULD NOT EFFECT BUDGETARY CONSIDERATIONS.
2) THAT THE LAND AND WATER CONSERVATION FUND SHOULD REMAIN INTACT FOR OPEN SPACE AND RECREATION LAND AQUISITIONS, WHETHER BY THE FEDERAL GOVERNMENT OR THROUGH THE STATES AND LOCAL GOVERNMENTS -- ON A COORDINATED BASIS.
3) THAT URBAN OPEN SPACE LANDS ARE CRITICAL TO THE PUBLIC HEALTH, AND THAT THE PUBLIC HEALTH IS CRITICAL TO A HEALTHY ECONOMY.
4) THAT THE FEDERAL GOVERNMENT CAN EXERCISE SOME IMAGINATIVE CONSTRAINTS AND INCENTIVES AS TO HOW THOSE LAND AND WATER CONSERVATION FUNDS ARE TO BE USED, BOTH BY FEDERAL AGENCIES, AND BY STATE AND LOCAL GOVERNMENTS -- SO AS TO ACHIEVE GREATER SUCCESS, OVER A BROADER AREA, WITH LESS EXPENDITURE OF FUNDS.
   WHICH IS <u>STILL TO STRESS</u> -- THAT WITHOUT ADEQUATE FUNDS WE CANNOT SUPPORT NOR ENCOURAGE STATE AND LOCAL PARTICIPATION; THAT WITHOUT ADEQUATE FUNDS WE CANNOT ACCOMPLISH A COORDINATED EFFORT; WITHOUT ADEQUATE FUNDS THE PUBLIC CANNOT COMPETE IN THE MARKET PLACE FOR APPROPRIATE LAND USE; AND WITHOUT ADEQUATE FUNDS, "A LEGACY FOR AMERICA" IS JUST EMPTY WORDS.

May 4, 1981

The Honorable Barry M. Goldwater, Jr.
Subcommittee on Interior -- Testimony: FIRESCOPE

MR. CHAIRMAN: EVERYONE IS AWARE OF THE DANGER TO LIFE AND PROPERTY AS A RESULT OF BRUSH AND FOREST FIRES. WILDLAND FIRE STARTS HAVE INCREASED BY 130 PERCENT SINCE 1960, THE NUMBER OF LARGE FIRES IS INCREASING; AND THE PUBLIC COSTS AND LOSSES NOW AVERAGE CLOSE TO $45 MILLION PER YEAR. THE FIRE-FIGHTING RESOURCES OF SOUTHERN CALIFORNIA ORGANIZED FOR POTENTIAL EMERGENCIES (FIRESCOPE) SYSTEM IS A PROVEN PROGRAM WHICH HAS DEMONSTRATED A SOLID RECORD OF ACHIEVEMENTS IN FIGHTING FIRES. ACCORDING TO THE PRESIDENT'S BUDGET PROPOSALS, HOWEVER, THE FIRESCOPE PROGRAM WILL NOT RECEIVE FUNDING FOR FISCAL YEAR 1982.

IF THE BUDGET IS MAINTAINED FOR FIRESCOPE AT THE FY80 LEVEL OF $2.4 MILLION, THE SYSTEM CAN BE COMPLETED BY FY86 AT A BENEFIT-COST RATIO OF $1.5 FOR EVERY $1. THE LOSS ESTIMATED TO OCCUR TO THE FIRESCOPE PROGRAM IF NOT FUNDED - $2 TO $10 MILLION. THE PROGRAM IS DESPERATELY IN NEED OF BEING FUNDED AT THIS LEVEL SO THAT MANPOWER AND EQUIPMENT WILL BE AVAILABLE TO EFFECTIVELY FIGHT BRUSH AND FOREST FIRES IN AN EMERGENCY SITUATION.

BUT THE FIRESCOPE SYSTEM DOES MUCH MORE THAN HANDLE FOREST FIRES. FOR EXAMPLE, DAMAGING FLOODS HIT SAN BERNARDINO, CALIFORNIA IN JANUARY OF 1980. MOST CITY DEPARTMENTS WERE IN-VOLVED IN THE RESCUE OPERATION. THE INCIDENT COMMAND SYSTEM, A HIGHLY EFFICIENT SYSTEM OF THE FIRESCOPE PROGRAM WHICH STANDARD-

IZES INCIDENT ORGANIZATIONAL STRUCTURES, DATA GATHERING, REPORTING AND TERMINOLOGY WAS PUT INTO PARTIAL USE AT THIS TIME.

THE FIRESCOPE SYSTEM, MANAGING FIVE SIMULTANEOUS INCIDENTS, HAS BEEN SHOWN TO BE COST-EFFECTIVE IF IT INCREASES FIRE SERVICE PERFORMANCE BY ONLY 5 PERCENT, AND THE ECONOMIC BENEFITS WILL RANGE BETWEEN ONE AND NINE MILLION DOLLARS ANNUALLY DEPENDING ON THE LENGTH AND SEVERITY OF THE FIRE SEASONS. THESE SAVINGS HAVE BEEN PROVED BY THE FIRE AGENCIES THEMSELVES. FOR EXAMPLE, EVEN WHEN THE SYSTEM WAS ONLY FORTY PERCENT COMPLETED, FIRESCOPE CONTRIBUTED SUBSTANTIALLY TO THE SAVING OF OVER FIVE THOUSAND ACRES AND SEVERAL HOMES DURING THE 1979 CALIFORNIA FIRE SEASON. BECAUSE OF FIRESCOPE'S EFFICIENCY, ANOTHER ONE HUNDRED THOUSAND DOLLARS RESULTED IN DIRECT COST SAVINGS.

STATE, COUNTY, AND OTHER LOCAL FIRE SERVICE AGENCIES HAVE SPENT ABOUT $4 MILLION IN STAFFING, EQUIPMENT AND FACILITIES TO SUPPORT THE PROGRAM, DEMONSTRATING AN EARNEST EFFORT ON THEIR BEHALF TO ASSUME PART OF THE FINANCIAL RESPONSIBILITY OF FIRESCOPE. FURTHERMORE, AS THE FIRESCOPE SYSTEM IS IMPLEMENTED, THE COST TO THE FEDERAL GOVERNMENT WILL DECREASE WHILE STATE AND LOCAL AGENCIES WILL CONTINUE TO ASSUME MORE AND MORE OF THE FINANCIAL RESPONSIBILITY. THE COOPERATING AGENCIES WILL SPEND ABOUT EIGHT HUNDRED THOUSAND DOLLARS ANNUALLY TO OPERATE AND MAINTAIN FIRESCOPE AFTER IT IS FULLY IMPLEMENTED. APPROXIMATELY $1.8 MILLION IN MATCHING FUNDS HAS BEEN SPENT BY STATE AND LOCAL

AGENCIES. EXCLUDING FEDERAL PROGRAM ADMINISTRATIVE COSTS, THIS AMOUNTS TO ALMOST HALF OF THE TOTAL EXPENDITURES FOR A SINGLE YEAR'S APPROPRIATIONS.

THE FIRESCOPE PROGRAM IS JUST ABOUT COMPLETED AND WE ARE STARTING TO SEE THE RESULTS OF OUR DEDICATED EFFORT IN CREATING A MORE EFFICIENT AND HIGHLY ORGANIZED SYSTEM OF FIREFIGHTING, AS WAS DEMONSTRATED DURING THE 1979 FIRE SEASON IN CALIFORNIA. WITHOUT FIRESCOPE AND OTHER SIGNIFICANT IMPROVEMENTS IN FIRE MANAGEMENT, EMERGENCY COSTS ARE LIKELY TO INCREASE AS MUCH AS FOUR TIMES BY THE YEAR 2000.

MR. CHAIRMAN, THE FIRESCOPE SYSTEM IS A VITAL PROGRAM IN OUR WAR ON BRUSH AND FOREST FIRES. OUR INVESTMENT IN THIS HIGHLY EFFICIENT AND EFFECTIVE PROGRAM IS AN INVESTMENT IN A SAFE AND SECURE FUTURE.

THANK YOU.

May 4, 1981

The Honorable Barry M. Goldwater, Jr.
Subcommittee on Interior - Testimony: California Condor Recovery Program

MR. CHAIRMAN AND SUBCOMMITTEE MEMBERS: I HAVE LONG BEEN CONCERNED ABOUT THE POSSIBLE EXTINCTION OF THE CALIFORNIA CONDOR. THE CALIFORNIA CONDOR IS THE LARGEST FLYING BIRD IN NORTH AMERICA WITH A WING SPAN OF OVER NINE FEET. AT THE PRESENT TIME, HOWEVER, WE ESTIMATE THAT THERE ARE TWENTY TO THIRTY CONDORS LEFT IN THE WILD. IF THE DECLINE OF TWO TO THREE BIRDS A YEAR CONTINUES, THE SPECIES COULD BECOME EXTINCT IN EIGHT TO TWELVE YEARS. THEREFORE, IT IS VITALLY IMPORTANT THAT THE FISCAL YEAR 1982 APPROPRIATION TO THE FISH AND WILDLIFE SERVICE BE INCREASED BY $200,000 IN ORDER TO EFFECTIVELY IMPLEMENT THE CALIFORNIA CONDOR RECOVERY PROGRAM.

SINCE 1975, A PLAN OF ACTION HAS BEEN EVOLVING TO PRESERVE THE CONDOR. BUT FUNDS WERE NECESSARY TO IMPLEMENT THE RECOVERY PROGRAM. IN 1979, BECAUSE OF THE CONCERNED EFFORTS OF THIS SUBCOMMITTEE, WE PROVIDED $500,000 IN FEDERAL FUNDS FOR THE PRESERVATION OF THE CONDOR. IN ADDITION, THE NATIONAL AUDUBON SOCIETY SUCCESSFULLY MATCHED THOSE FUNDS THROUGH PRIVATE DONATIONS.

LAST YEAR, AS PART OF THE RECOVERY EFFORT, THE U.S. FISH AND WILDLIFE SERVICE BEGAN A CAREFULLY CONCEIVED CAPTIVE BREEDING PROGRAM. TRAGICALLY, A CONDOR CHICK DIED. AS A RESULT, AND ACCORDING TO CONTINGENCY PLANS, ALL TRAPPING OPERATIONS STOPPED IMMEDIATELY, AND A FULL EVALUATION OF THE PROGRAM'S PROCEDURES WERE THOROUGHLY EVALUATED. WE HAVE LEARNED MUCH SINCE THEN, LARGELY AS A RESULT OF TRAPPING EXPERIMENTS WITH ANDEAN CONDORS. THE U.S. FISH AND WILDLIFE SERVICE HAS WISELY DECIDED TO PROCEED WITH THEIR RECOVERY EFFORTS.

WE MUST DO ALL WE CAN TO SAVE THIS ENDANGERED SPECIES. WE HAVE SEEN WHAT HAS HAPPENED TO OTHER ENDANGERED SPECIES IGNORED BY MAN,

AND WE MUST NOT LET IT HAPPEN TO THE MAJESTIC CALIFORNIA CONDOR. THE DUSKY SEASIDE SPARROW, FOR EXAMPLE, IS BIOLOGICALLY EXTINCT BECAUSE THE SIX BIRDS LEFT IN THE WILD ARE ALL MALES, AND ATTEMPTS AT CAPTIVE BREEDING WERE INITIATED TOO LATE.

MR. CHAIRMAN, $250,000 HAS BEEN BUDGETED FOR FISCAL YEAR 1982. DUE TO A DELAY IN GETTING A PERMIT FOR CAPTIVE BREEDING AND TELEMETRY PLUS THE NEED TO INITIATE RODENTICIDE STUDIES AND HABITAT STUDIES WE NEED $447,000 TO GET THE RECOVERY PROGRAM MOVING. THIS CALLS FOR AN ADDITIONAL $200,000 FOR FISCAL YEAR 1982. FOLLOWING IS A SPECIFIC BREAKDOWN OF THE ADDITIONAL FUNDS NEEDED:

$47,000	Region I (Hopper Mt. National Wildlife Refuge and Recovery Team)
$179,000	Research (biologist, Andean Condor trapping technique experimentation, Habitat Specialist)
$50,000	(biologist contract; monitoring of only active nesting site)
$80,000	(field personnel salaries and telemetry experiments)
$50,000	Rodenticide Studies
$5,000	Environmental contaminants investigation
$5,000	Captive Breeding
$10,000	Field Surrogate Studies
$20,000	Intensive habitat studies

MR. CHAIRMAN, WE CANNOT GUARRANTEE THAT THE CONDOR WILL SURVIVE, BUT THE CALIFORNIA CONDOR IS A SYMBOL OF THE ENDANGERED SPECIES' PLIGHT. THE CONDOR RECOVERY PROGRAM IS A CHALLENGE TO TRY TO DO WHAT WE CAN TO SAVE A SPECIES WHICH IS, QUITE LITERALLY, ON THE BRINK OF EXTINCTION. THANK YOU.

NATIONAL PARK SERVICE—BATTLE OF YORKTOWN BICENTENNIAL

WITNESS

HON. PAUL S. TRIBLE, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VIRGINIA

Mr. YATES. Mr. Trible?

Mr. TRIBLE. Thank you, Mr. Chairman.

Mr. YATES. We are pleased to have you with us this afternoon.

Mr. TRIBLE. I appreciate the opportunity to be with you today. I would just summarize my case.

Mr. YATES. Your statement may be made part of the record. We know about Yorktown. We know about the place in the history of our country, how important it is to the fact that we even have a country. I am sympathetic to celebrating the occasion of its bicentennial.

Mr. TRIBLE. This will be the 200th anniversary of the American victory at Yorktown, Mr. Chairman.

As you point out, Yorktown marks the second of three great events in our nation's history. The Declaration of Independence in 1776 laid down the principles of our people; the Yorktown victory in 1781 secured us the opportunity to go forward as one nation; and the Constitutional Convention of 1787 provided the nation the political structure to make good its opportunity and potential.

Our forebears understood the true significance of the events at Yorktown.

News of the victory in 1781 sparked unprecedented rejoicing throughout the thirteen states. Processions, salutes, bonfires, ox roasts, public meetings, speeches and sermons were the order of the day.

As Douglas Southall Freeman described it:

> The victory of Yorktown, to these patriots, was answered prayer, rewarded patience, vindicated faith. The triumph of their arms seemed a miracle. It lay at the basis of the belief . . . that a special Providence had created a new nation as it had in ancient days preserved a chosen people.

The 1881 centennial of Yorktown witnessed an even greater celebration. The nation was still recovering from the pain of the Civil War, and Yorktown offered an excellent chance for the people's eyes to be returned to the brighter lights of the nation's founding. The centennial celebration was truly magnificent.

It lasted four days and saw the gathering of more American dignitaries in one place than at any time since the founding of our Republic. President Arthur presided in the company of former Presidents Grant and Hayes. Generals Sherman, Sheridan, McDowell, and Pope were there, as were numerous Confederate officers. The Congress adjourned for five days and more than 200 senators and congressmen, governors, supreme court justices, and descendants of Revolutionary War soldiers came together to Yorktown.

France sent its representatives headed by the Foreign Minister and the descendants of Rochambeau, De Grasse and Laffayette. Baron von Steuben's descendants also attended and made remarks.

The military forces present numbered 12,000. There were more than 25,000 guests and visitors.

The sesquicentennial celebration of Yorktown in 1931 was equally magnificent. The events at Yorktown symbolized hope in the midst of depression and a revived sense of patriotism and purpose. Over 300,000 people attended.

There was a U.S. Navy fleet off Yorktown, supported by the presence of Old Ironsides and of French naval units.

Military units paraded and reenacted the historic events of 1781. President Hoover headed a list of dignitaries that included General Pershing, Marshal Petain, the governors of the original thirteen states, members of Congress and the Cabinet, and descendants of Rochambeau, De Grasse, Lafayette, von Steuben, and Cornwallis.

I recount these past delebrations, Mr. Chairman, because they underscore the proper place and magnitude of the Yorktown victory in our history. I hope this subcommittee will appropriate funds so that the Park Service can play a central role in the celebration of Yorktown's 200th anniversary. The Yorktown celebration in October 1981 must be no less joyous or complete than in past years.

Let me recount for you the history of the 1981 celebration. Last year the Congress approved and President Carter signed a resolution declaring October 19, 1981 as a day of national celebration of the 200th anniverary of the American victory at Yorktown.

The resolution called upon the American people to celebrate this great day in our history.

A Yorktown Bicentennial Committee composed of representatives of the U.S. Park Service, the Commonwealth of Virginia, local governments, and the private sector have planned a four-day celebration.

President Reagan, the President of France and official representatives of the governments of Great Britain and Germany have been invited to participate. The battle will be reenacted by military units from the United States, Germany and France. Germany and France have designated substantial military units to participate.

Mr. YATES. Who will win?

Mr. TRIBLE. I hope the outcome is the same as in the past. We don't want to rewrite history, especially when it has served us so well.

There will be music, parades, prayers, speeches, equipment displays, festive activities, demonstrations and fireworks. French and American warships will stand by in the York River.

To show the interest abroad, over 1200 hotel rooms have already been reserved in Tidewater, Virginia, by French citizens planning to attend the Yorktown Bicentennial. It is estimated that well over 400,000 people will attend from all over the world. All the eyes of the world will be on us and on this celebration.

The Department of the Interior is, of course, the lead agency. The battlefield itself is a national landmark under the jurisdiction of the Park Service. The Park Service has identified a need for some $2 million to provide special park maintenance, protection, and other support for the celebration.

At my request, the Park Service has gone back to the table and they have come forward with two alternative bare bones plans. I have submitted all of those for you and your colleagues to review.

Mr. YATES. We will be glad to examine them.

Mr. TRIBLE. I recognize this is not the year to come forward and ask for $2 million for the Park Service to celebrate the Yorktown celebration, as important as that is. I do hope you might be able to find a half a million for that very worthy purpose and make that request here today.

To date the Park Service has designated $100,000 for Yorktown bicentennial activities. That is from appropriations made by this subcommittee last year, and $206,000 has been committed for this purpose from monies left over from the American Revolution Bicentennial Commission.

As you know, monies were left in that account. Now, $206,000 of those dollars have been targeted for the Yorktown bicentennial. These funds totaling $306,000, plus adequate funding that I hope this subcommittee can make possible in fiscal year 1982, will permit the Park Service to do its part in this great national celebration.

Now we are not looking only to the Federal Government. Virginia is doing its part. I would like to underscore very briefly what the Commonwealth of Virginia and its citizens are doing.

The state has put forward to date $361,000 toward the Yorktown celebration. The people of York County, Virginia, have raised their own county taxes this year in order to provide another $162,000.

To date private contributions in excess of $75,000 have been solicited from the private sector. They are in hand. We are hopeful that more monies will flow from the private sector.

Virginia has made well over half a million dollars available to date.

The General Assembly of Virginia intends to provide additional funds as well. There is a lot to be done. We cannot hope to succeed without further assistance from the United States Park Service.

So I would ask that you consider this request along with all the others that have been made before you. I know these are unusual times and we are trying to restrain the growth of Federal spending and that limits our opportunities. This is a singularly important day in the life of our nation.

Mr. YATES. When you use the phrase "this year," this hearing is on the 1982 budget.

Mr. TRIBLE. I understand. We are asking for moneys today for 1982. It is in that regard that I appear before you today.

Mr. YATES. Thank you, Mr. Trible. We appreciate it. That was a good statement.

[The statement of Hon. Paul Trible follows:]

TESTIMONY OF HON. PAUL TRIBLE, INTERIOR SUBCOMMITTEE, APPROPRIATIONS FOR YORKTOWN BICENTENNIAL CELEBRATION

Mr. Chairman, I appreciate the opportunity to testify before the subcommittee in support of funding for the celebration of the 200th anniversary of the American victory at Yorktown.

Yorktown marks the second of the three great events of our Nation's founding: the Declaration of Independence in 1776 laid down the principles of our people; the Yorktown victory in 1781 secured us the opportunity to go forward as one Nation; and the Constitutional Convention of 1787 provided the Nation the political structure to make good its opportunity and potential.

Our forebears understood the true significance of the events at Yorktown.

News of the victory in 1781 sparked unprecedented rejoicing throughout the thirteen states. Processions, salutes, bonfires, "ox-roasts," public meetings, speeches,

and sermons were the order of the day. As Douglas Southall Freeman described it, "The victory of Yorktown, to these patriots, was answered prayer, rewarded patience, vindicated faith. The triumph of their arms seemed a miracle. It lay at the basis of the belief . . . that a special Providence had created a new nation as it had in ancient days preserved a chosen people."

Yorktown's significance was not lost either on the people of France. For three nights Paris was illuminated in honor of the victory of Yorktown. Portraits of Louis XVI, Washington, and Benjamin Franklin appeared all over the capital, and religious services were held in every church in France.

The 1881 centennial of Yorktown witnessed an even greater celebration. The Nation was still recovering from the pain of the Civil War, and Yorktown offered an excellent chance for the people's eyes to be returned to the brighter lights of the Nation's founding. The centennial celebration was truly magnificent.

It lasted four days, and saw the gathering of more American dignitaries in one place than at any time since the founding of our Republic. President Arthur presided in the company of former Presidents Grant and Hayes. Generals Sherman, Sheridan, McDowell, and Pope were there, as were numerous Confederate officers. The Congress adjourned for five days and more than 200 senators and congressmen, governors, supreme court justices, and decendants of Revolutionary War soldiers came together to Yorktown. France sent its representatives headed by the Foreign Minister and the descendants of Rochambeau, De Grasse, and Lafayette. Baron von Steuben's descendants also attended and made remarks. The military forces present numbered 12,000. There were more than 25,000 guests and visitors.

The sesquicentennial celebration of Yorktown in 1931 was equally magnificent. The events at Yorktown symbolized hope in the midst of depression and a revived sense of patriotism and purpose. Over 300,000 people attended. There was a U.S. Navy fleet off Yorktown, supported by the presence of "Old Ironsides" and of French naval units. Military units paraded and reenacted the historic events of 1781. President Hoover headed a list of dignitaries that included General Pershing, Marshal Petain, the governors of the original thirteen States, members of Congress and the Cabinet, and descendants of Rochambeau, De Grasse, Lafayette, von Steuben, and Cornwallis.

I recount these past celebrations, Mr. Chairman, because they underscore the proper place and magnitude of the Yorktown victory in our history. I hope this subcommittee will appropriate funds so that the Park Service can play a central role in the celebration of Yorktown's 200th anniversary. The Yorktown celebration in October 1981 must be no less joyous or complete than in past years.

Last year the Congress approved—and President Carter signed—a Resolution declaring October 19, 1981 as a day of national celebration of the 200th anniversary of the American victory at Yorktown.

A Yorktown Bicentennial Committee composed of representatives of the U.S. Park Service, the Commonwealth of Virginia, local governments, and the private sector have planned a magnificant four-day celebration. President Reagan, the President of France and official representatives of the governments of Great Britain and Germany have been invited to participate. The battle will be reenacted by military units from the United States, Germany and France. There will be music, parades, prayers, speeches, equipment displays, festive activities, demonstrations, and fireworks. French and American warships will stand by in the York River. To date, over 1,200 hotel rooms have been reserved by French people planning to attend.

It is estimated that over 400,000 people from around the country will actually attend the four day celebration. Indeed, the eyes of the entire world will again be on Yorktown.

The Department of Interior is the lead agency of the federal government in supporting the celebration. The battlefield itself is a national landmark under the jurisdiction of the Park Service. the Park Service has identified a need for some $2 million to provide special park maintenance, protection, and other support for the celebration. At my request the Park Service has also estimated two alternative bare bones plans. I submit the Park Service's cost estimates for the record.

I recognize this is not the year to ask for $2 million for the Park Service to support the Yorktown activities—as important as this celebration is. I do hope, however, this subcommittee will appropriate $500,000 for this purpose.

In fiscal year 1981 the Park Service has designated $100,000 for the Yorktown Bicentennial activities and theretofore $206,000 was committed to this purpose from monies left over by the American Revolution Bicentennial Commission. These funds totaling $306,000 plus adequate monies appropriated by this subcommittee for fiscal year 1982 will make it possible for the Park Service to do its part in this great national celebration.

I want to assure you that the people of Virginia are doing their part to support this national event. The State of Virginia has put more than $361,000 toward Yorktown. The people of York County raised their own county taxes this year in order to provide another $162,000. And private contributions from individuals and companies total more than $75,000 to date.

So Virginia has made some $600,000 available as of today. That's a lot, but it cannot hope to support the full range of the planned events. The Yorktown Bicentennial Committee originally estimated the celebration's costs would be some $4.5 million. It's obvious that such a sum can't be raised, so plans have been scaled back. But a celebration of proper character will still be very costly.

I am very grateful to the subcommittee for its past support of the Yorktown celebration, and am hopeful that additional support will be provided in the fiscal year 1982 Interior appropriations bill. This is the final countdown. If we do not give the Park Service additional monies for the Yorktown Bicentennial Celebration, there will not be an appropriate national celebration.

I want to conclude by recalling Abraham Lincoln's remarks to the Springfield Young Men's Lyceum in 1838. Lincoln told his audience that great though the task of founding a nation is, the greater task is to ensure the nation's perpetuation. Memories fade, he said, and the patriotic passions that naturally grow out of the founding events, gradually subside.

Today we are further removed from the day Cornwallis surrendered to Washington at Yorktown than those American patriots were from the arrival of the first settlers at Jamestown. We must gladly and actively celebrate our beginnings if we are to continue to recall their importance. The more fervent our celebrations, the better. I ask your help in making our Nation's memory of Yorktown as vivid as it should be.

BICENTENNIAL COST ESTIMATES

Colonial National Historical Park/National Park Service

ENCLOSURE 1

Interpretation:	
Interpretive literature	$18,500
Information centers—Staffing and overtime	28,250
Interpretive signs	13,000
Wayside exhibits	23,000
Museum rehabilitation	66,000
Nelson House	46,000
Radios	4,500
Subtotal	199,250
Protection:	
Rangers—extra staffing, overtime	102,000
Supplies, fuel, et cetera	23,000
Transportation of rangers	27,500
Per diem for extra staffing	35,000
Subtotal	187,500
Maintenance:	
Recreated military encampment preparation	9,000
Field preparation	54,000
Surrender field road	75,000
Drainage—Demonstration area	5,500
Parking area preparations	6,000
Chair rental	2,500
Grandstand (25,000 seats at $16 per seat)	400,000
Electrical supplies	6,500
Stages (6 each)	12,250
Waterline—Modern camp recreated military	12,500

Waterline—Recreated military encampment	$20,000
Trash removal	25,000
Subtotal	628,250
Additional cost factors:	
Chemical toilets	350,000
C. & P. Telephone Co	67,500
VEPCO	86,500
Press facilities	12,500
Concessions	11,000
Fireworks (NPS share)	30,000
Electronic sound systems	30,000
Internal people movers	160,000
Post clebration clean up	14,250
Subtotal	761,750
Subtotal NPS costs	1,776,750
Inflation factor 1 yr. 15 percent	266,512
Total estimated NPS costs	2,043,262

ENCLOSURE 2

Interpretation:	
Interpretive literature	0
Information centers—Staffing and overtime	28,250
Interpretive signs	13,000
Wayside exhibits	0
Museum rehabilitation	60,000
Nelson House	46,000
Radios	4,500
Subtotal	151,750
Protection:	
Rangers—Extra staffing, overtime	102,000
Supplies, fuel, et cetera	23,000
Transportation of rangers	27,500
Per diem for extra staffing	35,000
Subtotal	187,500
Maintenance:	
Recreated military encampment preparation	9,000
Field preparation	0
Surrender field road	50,000
Drainage—Demonstration area	5,500
Parking area preparations	6,000
Chair rental	2,500
Grandstand (25,000 seats at $16 per seat)	100,000
Electrical supplies	6,500
Stages (6 each)	0
Waterline—Modern camp recreated military	12,500
Waterline—Recreated military encampment	20,000
Trash removal	25,000
Subtotal	237,000
Additional cost factors:	
Chemical toilets	200,000
C. & P. Telephone Co	53,500
VEPCO	72,500
Press facilities	12,500
Concessions	11,000
Fireworks (NPS share)	0
Electronic sound systems	0

Internal people movers	$60,000
Post celebration clean up	14,250
Subtotal	423,750
Subtotal NPS Costs	1,000,000
Inflation factor 1 yr. 15 percent	0
Total estimated NPS costs	1,000,000

ENCLOSURE 3

Interpretation:	
Interpretive literature	0
Information centers—Staffing and overtime	0
Interpretive signs	0
Wayside exhibits	0
Museum rehabilitation	30,000
Nelson House	45,000
Radios	4,500
Subtotal	79,500
Protection:	
Rangers—extra staffing, overtime	95,000
Supplies, fuel, et cetera	15,000
Transportation of rangers	27,500
Per diem for extra staffing	24,000
Subtotal	161,500
Maintenance:	
Recreated military encampment preparation	2,500
Field preparation	0
Surrender field road	0
Drainage—Demonstration area	3,500
Parking area preparations	4,500
Chair rental	0
Grandstand (25,000 seats at $16 per seat)	0
Electrical supplies	2,500
Stages (6 each)	0
Waterline—Modern camp recreated military	12,500
Waterline—Recreated military encampment	10,000
Trash removal	25,000
Subtotal	60,500
Additional cost factors:	
Chemical toilets	70,500
C. & P. Telephone Co	20,000
VEPCO	50,000
Press facilities	8,000
Concessions	0
Fireworks (NPS share)	0
Electronic sound systems	0
Internal people movers	0
Post celebration clean up	0
Subtotal	148,500
Subtotal NPS costs	450,000
Inflation factor 1 yr. 15 percent	0
Total estimated NPS costs	450,000

ENCLOSURE 4

Funds for Yorktown activities as of May 4, 1981

Virginia:	
State	$361,000
York County	162,000
Private	75,000
	598,000
Federal:	
Donation from 1976 Bicentennial funds	206,000
U.S. Park Service	100,000
Total	306,000

NATIONAL ENDOWMENT FOR THE ARTS

WITNESS

HON. THOMAS LANTOS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. YATES. Mr. Lantos.

Mr. LANTOS. Mr. Chairman, nice seeing you.

Mr. YATES. Your statements, if you have any, will be made part of the record.

Mr. LANTOS. I appreciate it.

Mr. Chairman, I would like to comment briefly on two items. One has a particularly emotional appeal to all of us who serve in Congress because it relates to my predecessor, the late Leo Ryan.

He had a dream some ten years ago which was to create near the heavily populated San Francisco Peninsula area an urban park. This is a unique place. It is called Sweeney Ridge. You probably are familiar with it.

Its view was the view that Gaspar de Portola first saw when he led his men up to that ridge and they caught their first glimpse of San Francisco Harbor.

Mr. YATES. And the blue Pacific.

Mr. LANTOS. I also need to tell you that I have a deal for you here! In fiscal 1982 we can buy it for less than $10 million. If we wait a year, it will be $12 million. If we wait further, it will be $14.5 million.

We are buying 1100 acres of privately owned land. It is really the only area in that whole densely populated San Francisco region which is available and which is historic and which is, in terms of its scenic beauty, absolutely unprecedented.

Mr. YATES. Is this within the confines of Golden Gate Park?

Mr. LANTOS. Yes, it is part of GGNRA.

Mr. YATES. We will be glad to consider that, Mr. Lantos.

Mr. LANTOS. Now, I have some immortal words in connection with the NEA budget cut.

Mr. YATES. I thought I felt the building tremble.

Mr. LANTOS. I suspect—I don't want to take any of your time, but merely submit the statement.

[The statements of Hon. Tom Lantos follow:]

STATEMENT OF CONGRESSMAN TOM LANTOS

Mr. Chairman, a dream that was born almost 10 years ago, a dream of my predecessor, the late Leo J. Ryan, was the extension of the national park system into the urbanized area south of San Francisco. Mr. Ryan's vision culminated in the last Congress with a commitment to make Sweeney Ridge, a privately owned 1,100-acre area of scenic and historic significance, part of the Golden Gate National Recreation Area.

That dream and that commitment are jeopardized by the Reagan Administration's proposal to virtually eliminate $335 million in Land and Water Conservation Funds allocated for federal land acquisition in fiscal year 1982.

This proposal is penny-wise and pound foolish. The Trust for Public Land, a private, non-profit organization which for the past seven years has worked with federal, state and local governments to set aside thousands of acres of open space, holds an option for the purchase of Sweeney Ridge for under $10 million. That option must be exercised by October 31, 1981. It can be extended for two additional years, but each extension involves a substantial price increase.

In light of the escalating price of land in the San Francisco Bay Area, further delay will be extremely costly. It would be fiscally irresponsible to defer this acquisition for 3 or 4 years and then pay $15 or $20 million more for the property than it would cost today.

Open space close to a major urban area is all too rare. It is vanishing at an horrendous pace, and once lost, it is lost forever. Over the weekend Nat Reed, an undersecretary in the Interior Department under the Nixon Administration, warned that by "butchering" the Land and Water Fund, Secretary of the Interior Watt intended to attempt to return to the "pre-Teddy Roosevelt era." The country did not vote in November to abandon the century of conservationist policies which have made the United States a model for the world, and I will do whatever is necessary to prevent this Administration from pursuing such a course.

Sweeney Ridge remains much as it was in November 1769 when a small band of Spaniards climbed to its summit and discovered San Francisco Bay, one of the finest natural harbors in the world, The ridge, which has been referred to as the Plymouth Rock of the west, affords magnificent views of both the bay and the Pacific Ocean.

"Very few sites in the country combine such sweeping scenic vistas with the possibility of easy public access from densely populated areas," the Trust for Public Land aptly points out.

Mr. Chairman, people in the cities are important and entitled to have access to our national treasures. A trip to Yosemite or Yellowstone is beyond the reach of many city dwellers. Our national parks must not be so located as to be available only to the affluent. The need for parks is greater than ever, particularly near urban areas. The Golden Gate National Recreation Area, which includes Pt. Reyes, Muir Woods, Fort Point, and many other areas, receives 10 percent of the total visitation of the entire national park system. The GGNRA is not just a sanctuary for birds and animals—it serves all of our people.

STATEMENT OF CONGRESSMAN TOM LANTOS

Mr. Chairman and members of the committee. I appear before you this morning to express my views as an economist, a humanist, and a Member of Congress in opposition to the proposed cuts for the arts. I am shocked and dismayed by the disproportionate magnitude of the cuts, by the shortsighted economics reflected in the plan, and by the philosophy of this Administration which places such low value on the arts in our society.

The National Endowment for the Arts and Humanities is slated for one of the largest cuts of any agency, even though federal funds to the arts represent a miniscule proportion of the national budget. The arts, in 1981, account for *one quarter of one tenth of one percent* of the total budget. We now spend about 70¢ per capita of federal money on the arts. We spend $600 per capita on defense. Figures from fiscal year 1980 show that almost $52 million was spent by the Defense Department on military bands. Compare this to some $13.5 million which was NEA's music budget for the *entire country* in the same year.

We have witnessed an explosive growth in public involvement in the arts. In one decade the percentage of the population engaged in dance has increased from 9 percent to 20 percent. The figures for the theater jumped from 8 percent to 30 percent. Few constituencies have increased as damatically in recent years as those who are participating in the arts.

The arts are forced to absorb a cut of 50 percent in their budget as well as the elimination of *all* funding for museum services by fiscal year 1982. The reduction,

specificially is from $158.6 million (current appropriation) to $88 million. The previous administration requested $175 million which seemed woefully inadequate to meet the needs of the arts community nationwide. However, the support of Congress has been growing since the enactment of the Endowment in 1965. Only last year, the Congress reauthorized the endowments for the next five years with an unprecedented number of votes. The 50 percent cut is a *break of faith* with the people, and *a break with tradition spanning the past five presidencies.*

The question of federal funding of the arts really comes down to a philosophy of government. The officially expressed low priority for the arts is as serious as the budget cuts themselves. Since such a philosophy reveals no understanding of the importance of *art in the preservation of a democratic society and a civilized world.* The arts are absolutely essential. They are not frivolous expenditures of time and money.

As Governor of California, President Reagan did not support the arts. During his administration as governor the California Arts Council averaged about $240,000 per year. In the last year of his term as governor, the State Legislature overrode his recommendation of $240,000 and appropriated $1.2 million. In that year, $1.2 million generated over $8 million in local matched funds. California could have benefited from this tremendous economic activity during the previous seven years. Now we are witnessing history repeating itself, on a national scale.

With a minimum of federal investment, the NEA has stimulated enormous private and local participation in arts programs. The Challenge Grant Program requires a minimum of 3 to 1 matching funds from new or increased sources. An investment of $84 million in the three years of its existence has stimulated some $500 million from private and local sources.

There are probably few federal agencies which could serve as a better model for the way both the Administration and the Congress should like to see federal dollars used.

Private giving to the arts increased only 3 percent in the decade before NEA was formed in 1965. Since then, private giving has increased three-fold, from $205 million to $2.7 billion. The Administration has based the budget on the false assumption that corporations and the private sector will pick up the slack. The Endowment grants from the federal government represent a small percent of the overall arts budget—only 5 percent to 7 percent. However, this seed money is essential to stimulating additional local support. Endowment grants are like the stamp of approval for many potential supporters. The endowment grant inspires confidence for others to also give.

The arts depend on a mix of federal, private, and local funding. This three-way model prevents any single source from dominating or controlling the development of the arts. It is irresponsible for the federal government to suddenly pull out one of the three legs of arts support and not expect the whole structure to collapse.

Further, it is economically shortsighted to fail to recognize the role of the arts in stimulating the economy. Current economic theory suggests that the function of the arts in economic growth and development deserves more careful attention that it has received. The arts are industries within themselves that have an impact on the economy.

Federal support of the arts should be viewed not as a subsidy, but as an investment in the rebuilding of America's urban and rural areas. The role of the arts is significant in revitalizing neighborhoods, strengthening neighborhood economies, enhancing the overall economic environment, and promoting human development.

There is strong reason to believe that the arts could be used as development tools to help attract other industries and commerce. Workers pursue jobs, but jobs follow the markets that people create. Persons looking for employment must consider the current distribution of jobs. Firms that employ highly trained, salaried, and mobile personnel look for environments in which the quality of life is a priority.

The arts in America are a multi-billion dollar industry. This is not a frill industry. The arts draw tourists and residents to a neighborhood, thus improving the local economic environment. They draw business for restaurants, stores, taxis, parking garages, hotels and homes or apartment complexes. Studies show people who attend the performing arts spend more than 80 percent of the cost of their ticket on ancillary services.

The arts serve to enhance one of the built-in advantages of the city, that of *urbanity.* They serve to increase the variety, breadth, and depth of available experience which is the key to urbanity. However, the arts are labor intensive. There are few ways to increase the profit margin by increasing production as in other industries. Artists themselves are already subsidizing the arts often through miserable salaries, negligible benefits, and long periods of unemployment. And the arts indus-

try depends on hundreds of thousands of volunteers. Government and the private sector need to recognize the role of artists as dynamic city builders.

I wish, further, to emphasize the place of the arts in rural communities . . . to emphasize the role of rural community artists and artisans in the creation of a truly "American Art." The vision and human longing of our people who live near nature, outside of cities, are vital to us all. We need to ensure their access to the arts, and their communication *through* the arts.

Aside from the economic benefits to be gained from federal support of the arts, there are additional benefits to our spirit which cannot be ignored. It is through the arts that we come to understand ourselves, each other, and our place in the universe. As Martha Graham once said when asked to explain her dance, "If I could explain it, I wouldn't have to dance it." Art speaks inaudibly to all people. It helps to unify us while simultaneously reminding us of the richness and complexity of our diversity—our pluralism.

Throughout history, it has been in periods of severe pressures and hardship that people have most needed the arts. During such times some of the greatest art has been created. As we face the increasing domestic and international problems of the 1980's, the arts play an important role in our daily lives as a replenishment for the spirit. One need only look at the art from the years of the Depression or World War I to see the surge of song, dance, theatrics, symphony, paintings, and literature. Artists celebrate the human spirit and its stubborn refusal to be downtrodden by adversity.

In a democracy, the arts should not just remain a plaything of the elite. Art must be experienced to have value. It must be woven into the life and education of all the people. These symbolic representations of the spirit cannot grow without being nurtured. They cannot be shared without being expressed, and without being made publicly available.

In a world which is threatened daily by international crises, it is significant that among so-called "civilized" societies only Iraq and Iran spend less public funds on the arts than the United States.

The American people have proven beyond a shadow of a doubt that they support the arts, and that they support federal funding of the arts. The Administration's budget will eliminate arts programs from the lives of people where they mean so much: from a previously neglected audience—the elderly, minorities, the handicapped, school children, and communities outside the major cities. These groups do not have high powered, highly paid professional representatives who can raise funds for them.

Mr. Chairman, we all know that the Metropolitan Opera will survive, but without the strong support of the federal government, I'm afraid the grass roots community support for the arts in our nation may very well collapse.

WOOD RESIDUE UTILIZATION ACT—BALD MOUNTAIN ROAD

WITNESS

HON. JIM WEAVER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OREGON

Mr. YATES. Mr. Weaver.

Mr. WEAVER. Mr. Chairman, thank you for the opportunity to testify before your committee. I suggest you move outdoors.

Mr. YATES. We'd love to move outdoors. If any committee of the Congress should move outdoors, this should be the one. We spend so much of the money outdoors.

Mr. WEAVER. Mr. Chairman, I have prepared statements that will be down shortly.

Mr. YATES. They will be made part of the record.

Mr. WEAVER. I will summarize.

Mr. YATES. What do you want money for?

Mr. WEAVER. I want to save you money. I am asking for cuts.

Mr. YATES. In what?

Mr. WEAVER. First of all, let me describe what I consider to be the most important single issue in my area in the Interior Appropriations bill, and that is the proscription against exporting logs from the Federal forests. I, of course, strongly support the proscription of exporting logs from the Federal forests.

I have a bill in my own subcommittee, as Chairman of the Forests Subcommittee, that would make that statutory and in perpetuity.

The log exports, as much as 3.5 million board feet, from the Northwest in the last several years, is a drain on our economy. Mills are closing everywhere. Mills are closing in Coos County where we have unemployment as high as 30 percent because of their inability to get timber, and the fact that the Japanese, among others, bid the timber up so high, $500, $600 a thousand where it used to be ten years ago $30 and $40 a thousand to the point where my own mills cannot compete with the Japanese bidders.

This is essentially private timber, but it has a direct effect on the amount bid for the public timber.

In the Interior Committee's bill in previous years, you have included three little words. We call them the three little words. So long as they have not been exported "by the purchaser." This provision is supposed to take care of substitution wherein somebody buys Federal timber and uses that Federal timber in domestic mills as they are supposed to, but the mill or some other person exports their own private timber and substitutes the Federal timber for it.

The fact that this so-called third party substitution is not halted has, according to studies, cost us as much as 200 million board feet per year in the Northwest. I ask you and ask this committee to delete the three little words in your bill "by the purchaser."

I would hope if you are unable to do that in the committee, that you would entertain a neutrality or whatever if I offer it from the floor to delete these three words.

Mr. YATES. Which are the three words?

Mr. WEAVER. "By the purchaser." The Forest Service maintains so long as these are in there——

Mr. YATES. Do you think that that is an unfair and impractical limitation?

Mr. WEAVER. Well, the Forest Service has testified that as long as those three words are there that they don't have much handle on third party substitution.

Mr. YATES. I would think that would be true, wouldn't you?

Mr. WEAVER. Yes. Therefore I am hoping those words will be deleted.

Mr. YATES. How would Mr. Dicks and Mr. AuCoin react to this?

Mr. WEAVER. I never make the mistake of speaking for another Member, Mr. Chairman.

Mr. YATES. I just wondered if you had talked to them?

Mr. WEAVER. I talked to them. I hope they would support that. I know Mr. Dicks at least entertained the idea of striking the words in the last bill.

Mr. YATES. We will look at it.

76-703 (6b) O - 81 - 51

Mr. WEAVER. Second, I know that this committee has not looked with favor on the payment in lieu of taxes, a bill that I happened to write and push through the Congress.

Mr. YATES. Aren't you sorry now?

Mr. WEAVER. I can tell you, Mr. Chairman, I again want to save you money.

Mr. YATES. Payment in lieu of taxes saves me money?

Mr. WEAVER. I want to say that having been the author of the bill, there are provisions in the bill that I don't think are wise and should be taken out.

Mr. YATES. That is the basis for the committee's action.

Mr. WEAVER. Among them, for instance, I put in a million dollar limit on counties for payment in lieu of taxes and, therefore, Phoenix, Clark County, Maricopa County receive that million. I don't think they should receive that much. I want to amend the bill and am going to try to do it so that that is reduced. I am going to talk about the ten-cent per acre minimum regardless of what receipts they had from other sources.

Also, the Utah decision on schools which has allowed them not to deduct their mineral payments and other payments from it in lieu of taxes they pay.

When I wrote the bill, I specifically said that those mineral payments should be deducted, but, because of the Utah opinion by the Solicitor General, they haven't done that. I intend to write that.

Mr. YATES. That is one of the reasons the committee acted as it did.

Mr. WEAVER. I understand.

Mr. YATES. The amount of receipts from the Mineral Leasing Act had gone up to a hundred million dollars.

Mr. WEAVER. I understand that, Mr. Chairman. In my bill the way I wrote it every single penny of those should be deducted from Federal taxes so that no county got one plus the other. Because of the Solicitor General's opinion, they haven't done so. I intend to try to amend the bill to take those out. Thereby we are getting an estimate from the Bureau of Land Management as to how much we can save. We think maybe $30, $40 million.

So I would hope that perhaps if we do this, the committee would reconsider because there are counties that desperately need this money and rightfully so.

One last point, Mr. Chairman, if I may. Again I want to save you money.

Let me say——

Mr. YATES. Beware of Greeks bringing gifts.

Mr. WEAVER. No, Mr. Chairman. No, Mr. Chairman.

I am really talking about honestly saving you money.

First of all, I believe that the Forest Service and the Bureau of Land Management vastly overbuilt their roads system in the National Forests.

Mr. YATES. We have heard that before.

Mr. WEAVER. Please, let's do something about it. I thought the committee in its supplemental gave another $62 million for roads. I believe that we can have a healthy timber economy in our area without building a number of these very expensive roads, both in

terms of the quality of the road, that they are over specified, too much gravel, too much blacktop. They build super highways many times into the forests, and also the quantity.

We understand that in some forests they are building as much as five miles of road per section. This just is devastating our soils in the first place, but spending money that isn't necessary.

Mr. YATES. What kind of a limitation would you put on there?

Mr. WEAVER. I would simply go over and make sure that—make the Forest Service come in and say—and explain why they couldn't get by on considerably less money.

I am convinced they can. I held hearings. I have gone over those roads myself. The timber industry themselves feel—particularly in the quality of the road—that it is far overspecified. I am saying in terms of quantity the roads are not necessary.

There is one road, Mr. Chairman, however, that I want to strongly urge this committee to proscribe, to prohibit funds being used to build. That is the Bald Mountain Road in the Siskiyou National Forest, which is in the southern part of my congressional district. For Bald Mountain Road is perhaps the greatest travesty that I have ever seen in my life.

Frankly, I think certain people in the Forest Service are just willfully wanting to build it to show people that by God they are going to build a road.

The Bald Mountain Road is built into the heart of the Illinois River country. The Illinois is the last pristine river we have. You can see bottom at 40 feet and you go through these beautiful canyons.

For the Bald Mountain, they will have to build the road along a ravine and along a cliffside. It will be one of the most expensive roads ever built.

Mr. YATES. Why do they want to build it?

Mr. WEAVER. Because the timber industry wants to get every tree, every stick, everything they can and leave us with mudslides, devastated rivers and streams.

Mr. YATES. Maybe we ought to take a picture of it.

Mr. WEAVER. Get the Bald Mountain Road. I have vowed one way or the other to stop the building of the Bald Mountain Road. We are developing, Mr. Chairman, a new kind of logging for such areas called helistat logging. It is both dirigibles and helicopters. The idea of building this Bald Mountain Road is foolish, when it can be logged by helistat. I would, if it were my decision, put the area in wilderness, but I cannot because of other reasons.

I want to and will try, but it just is not going to happen.

But that road should not be built. The cost to build a road along a ravine to get that amount of timber is a travesty.

Mr. YATES. We will take a look at it.

Mr. WEAVER. Thank you, Mr. Chairman.

[The statement of Hon. Jim Weaver follows:]

JIM WEAVER, OREG.,
CHAIRMAN

THOMAS S. FOLEY, WASH.
GEORGE E. BROWN, JR., CALIF.
BERKLEY BEDELL, IOWA
JERRY HUCKABY, LA.
LEON E. PANETTA, CALIF.
TOM DASCHLE, S. DAK.
BERYL ANTHONY, JR., ARK.
BYRON L. DORGAN, N. DAK.

E (KIKA) DE LA GARZA, TEX.,
EX OFFICIO MEMBER

GREGORY SKILLMAN,
SUBCOMMITTEE STAFF DIRECTOR

RON MARLENEE, MONT.,
RANKING MINORITY MEMBER

GEORGE HANSEN, IDAHO
ARLAN STANGELAND, MINN.
JOE SKEEN, N. MEX.
BOB MORRISON, WASH.
GENE CHAPPIE, CALIF.

WILLIAM C. WAMPLER, VA.,
EX OFFICIO MEMBER

RICHARD G. FRITZ,
MINORITY CONSULTANT

U.S. House of Representatives
Committee on Agriculture
Subcommittee on Forests, Family Farms,
and Energy
Room 1301, Longworth House Office Building
Washington, D.C. 20515

May 4, 1981

Testimony before theAppropriations Committee, Subcommittee on the Interior
PRESENTED BY JIM WEAVER, Member of Congress

1982 Budget- Wood Residue Utilization Act

Your support for including a $5 million line item in the Forest Service's 1982 Budget is critical for the startup of the wood residue utilization program authorized by P.L. 96-554. Attached to your copy of my testimony is a barebones budget which I requested from the Forest Service for this Act.

I believe that this seed money is necessary to initiate the program and that postponement of its implimentation will delay the easing of the short term energy situationprovided by wood residue utilization. Wood residues represent an energy reserve for our nation; with the Forest Service estimating 600 million dry tons of unused wood wastes availible annually. According to the General Accounting Office, this residue could produce 14% of our nation's energy needs and cut current U.S. oil imports by one- half. In addition,wood wastes are dispensed widely, unlike other fuels, and offer an ideal energy source for large geographical areas.

P.L. 96-554 will hasten private development of this resource for energy generation and will decrease the existing residue management costs now incurred by the Forest Service. During this time of fiscal restraint, I suggest that the addition of $5 million to the 1982 Budget of the Forest Service will result in substantial savings in the near future; because, according to GAO, the implimentation of this Act would reduce the Forest Service's residue management costs which now exceed $100 million annually.

In summary, I ask your support in funding the startup of the Wood Residue Utlization Act in the 1982 Budget.

JIM WEAVER, 3RD D., CHAIRMAN
THOMAS S. FOLEY, WASH.
GEORGE E. BROWN, JR., CALIF.
FINDLEY REILLY, IOWA
JERRY HUCKABY, LA.
LEON E. PANETTA, CALIF.
TOM DASCHLE, S. DAK.
BERKLEY BEDELL, IOWA
MARY ROSE OAKAR, OHIO
BALTASAR (BALTY) CORRADA, P.R.
E. (KIKA) DE LA GARZA, TEX., EX OFFICIO MEMBER
GREGORY SKILLMAN, SUBCOMMITTEE STAFF DIRECTOR

U.S. House of Representatives
Committee on Agriculture
Subcommittee on Forests, Family Farms, and Energy
Room 1301, Longworth House Office Building
Washington, D.C. 20515

ROBIN MARTINEZ, MONT., RANKING MINORITY MEMBER
GEORGE HANSEN, IDAHO
ARLAN STANGELAND, MINN.
JOE SKEEN, N. MEX.
BOB MORRISON, WASH.
GENE CHAPPIE, CALIF.
WILLIAM C. WAMPLER, VA., EX OFFICIO MEMBER
RICHARD G. FRITZ, MINORITY CONSULTANT

STATEMENT OF CONGRESSMAN JIM WEAVER BEFORE THE INTERIOR AND RELATED AGENCIES SUBCOMMITTEE OF APPORPRIATIONS COMMITTEE, MAY 4, 1981

I am speaking in favor of the continuation of the annually imposed ban on export of unprocessed logs from National Forest and Bureau fo Land Management timberlands. Due to the high price that foreign buyers are willing to pay for raw logs, it is absolutely essential that Congress continue to ban their export. Too many of our mills in the Northwest are dependent on public timber in order to stay in operation.

The fact that we continue to allow private timber to be exported is a serious drain on the domestic log supply of the Pacific Northwest. Log exports have reached a high of 3.7 billion board feet annually. This is more than the entire production from Oregon's very productive National Forests. If it was not for a recession in the Japanese housing market, log export volumes probably would have topped that figure last year. They have risen from the one billion board foot level in 1968 to the outrageous levels they have obtained today. It would be a crippling blow to the Northwest's timber economy if Congress were to allow unrestricted log exports.

As the Members of this subcommittee may know, I have introduced a bill, H.R. 639, that would make this temporary ban on log exports from federal lands permanent law. If passed, and this really should be a non-controversial measure, it would eliminate the burden of adding log export language to the Appropriations bill from this subcommittee. My bill, in addition, calls for a report on existing authority that could

be imposed to restrict private log exports and the practice of substitution of federal timber for privately exported logs. It also calls on the USDA to describe legislative language to deal with these two problems. But the basic intent is to make permanent the ban on federal log exports. I would hope that the Members of this committee can support my proposal, thus making this the last year that the committee would have to deal with log export language.

I would also like to testify today on behalf of the Payments in Lieu of Taxes program (PILT). I realize this committee has eliminated these payments from the FY '82 budget. This program is absolutely critical for those counties who are blessed with large amounts of federal land ownerships, but do not obtain significant revenues from them. This program is simply a way for the federal governemnt to pay its share of property taxes.

I realize that there has been some concern that this program has been abused, or taken advantage of by certain counties. I further understand that the Administration is prepared to support changes in legislative language that would eliminate these abuses. I will be deeply interested in seeing these legislative proposals. In the meantime, I have written to Congressional Budget Office regarding my own legislative proposals which I think would make this program less expensive to operate and more equitable to all counties. However, I strongly urge this Committee to restore funding to this program for FY 81, and to support the program as it is amended this year.

The proposals I have asked the CBO to analyze are as follows:

1) to set a maximum payment to each county of $500,000---this should save about $8.5 million, by my calculations.

2) to deduct from a state's P.I.L.T. payment all federal payments made under acts listed in the P.I.L.T. law. These deductions should be made regardless of whether states passed them through to to counties, or not.

3) to amend the section governing deductions to include payments generated from federal lands under other Acts not mentioned in the original bill.

The 10¢ per acre payment would remain intact.

I anticipate that these changes will result in substantial savings to the Treasury. It is my hope that this Committee will give this program the support it needs to survive. It is critically important to the economic well-being of many counties.

JIM WEAVER
4TH DISTRICT, OREGON

COMMITTEES:
AGRICULTURE
INTERIOR AND INSULAR AFFAIRS

JOE RUTLEDGE
ADMINISTRATIVE ASSISTANT

Congress of the United States
House of Representatives
Washington, D.C. 20515

WASHINGTON OFFICE:
LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515
(202) 225-6416

DISTRICT OFFICES:
FEDERAL BUILDING
211 EAST 7TH AVENUE
EUGENE, OREGON 97401
(503) 687-6732

FEDERAL BUILDING
333 WEST 8TH STREET
MEDFORD, OREGON 97501
(503) 779-2351

May 4, 1981

Testimony by JIM WEAVER, Member of Congress
before the Interior Subcommittee, Appropriations Committee

Finally, there are three additional subjects upon which I'd like to comment:

First, with regard to the budget for the Fish and Wildlife Service, which I understand you' re hearing about tomorrow, I would ask you to strongly consider continuation of the Cooperative Fish and Wildlife Service as a separate appropriation. I have been in contact with the many people of Oregon who have worked with and benefited from this program, and I think that they have done an outstanding job in learning how we can manage better the public trust in getting the most out of multiple- use of our land, forests, and watersheds. Federal funds have been tiny in my state, less than $100,000, but the benefits have merited making a special effort on this program's behalf.

Second, with regard to Indian Housing Program. We held oversight hearings on the Administrations proposal to eliminate FY '82 moneys for Indian Housing. This would affect three agencies: HUD, BIA, and Indian Health Services. The administration's arguments that the Indian Housing Program has excessive costs and backlogs didn't stand up to close scrutiny. However, their final argument about lack of guaranteed funding for sanitation facilities falls under the purview of this subcommittee. If the Indian Health Service budget for sanitation facilities is chopped, the overall Indian Housing Program will be enviscerated. Until there is a determination that alternative funds for sanitation are available elsewhere, I would respectfully request continued support for this component of the IHS budget. A right to healthful water and sanitary facilities is a basic human right. Indains already bear a disproportionate share of the nation's misery--they shouldn't be forced to bear a disproportionate share of our budget cutting.

Third, the Administration has indicated that it plans to reduce road construction and associated costs on National Forest land. There is a specific road project in my own Congressional District that I most strenuously oppose. This is knownas the Bald Mountain Road. It entails 12 1/2 miles of road construction, the first 7 1/2 miles of which will not be able to pay for itself. If this road is built, it will need appropriated funds. The road will have tremendous costs and run the grave risk of degrading the soils, water, and fisheries resource of the Silver Creek drainage of the Illinois River. The costs of building this road on highly unstable soils may require more than a three million dollar appropriation. The elimination of this road is an excellent place to begin saving taxpayer dollars.

Mr. YATES. We have a statement from Honorable John Rousselot in support of the Firescope program and Forest Fire Protection program, that may be put in the record.

The statement from Honorable Floyd J. Fithian concerning funding for the Indian Dunes National Lakeshore Park will be put in the record also.

The statement from Honorable Dante B. Fascell on funding for the Land and Water Conservation Fund will be put in the record.

We have received a statement from Honorable Phillip Burton regarding funding for the Golden Gate National Recreation Area, this statement will be put in the record. The letter to Honorable Cardiss Collins from Donald T. Byrd will be made part of the record also. Thank you very much.

[The statements follow:]

STATEMENT OF HONORABLE JOHN H. ROUSSELOT, MEMBER OF CONGRESS

TWENTY-SIXTH DISTRICT, CALIFORNIA

BEFORE THE HOUSE SUBCOMMITTEE ON INTERIOR APPROPRIATIONS

COMMITTEE ON APPROPRIATIONS

ON

THE FISCAL YEAR 1982 INTERIOR APPROPRIATIONS BILL, HR

MR. CHAIRMAN and Members of the Subcommittee, thank you for allowing me this opportunity to testify on behalf of a matter of grave importance to all Americans -- Forest Fire Protection. As you are aware, this is a problem acutely facing Southern Californians.

"Walls of flame", "blackened acres", "gutted homes", and "exhausted fire crews" cross the TV screen in a blur almost every summer and fall in California. Fortunately, 95% of all wildfires are controlled before they burn even 10 acres. Only the few that escape initial attack by firefighters spread to the headlines. Yet, these wildfires break out in the National Forests in California every year. They burn an average of 112,000 acres and cost about $58 million in resource damage and suppression.

During just 16 days last November, 139,000 acres of brushland burned, 300 homes were destroyed, 4 deaths resulted, and property and resource losses were in the untold millions. The U.S. Forest Service, in cooperation with State, County and municipal fire agencies, is struggling with this ever-increasing protection problem as populations increase and urbanization pushes relentlessly into more brush and hazardous areas. Since 1970 there has been a 26% increase in the population of Southern California. Fire protection must be kept strong. Reduced appropriations for both the FIRESCOPE program and Forest Fire Protection would be

extremely poor economy and would result in far greater future costs in dollars as well as in resource losses and human suffering.

The California delegation has been very bipartisan in our willingness to fight for these funds and the appropriations that we firmly believe are vitally needed.

Mr. Chairman, you have always been very cooperative in trying to make sure that we have adequate funding, even above authorization levels, for these fire fighting programs. This is why I am appearing before you today. As one who sits on the Floor all of the time to try to follow expenditure levels, I can say that the cooperation among California congressmen for FIRESCOPE and Forest Fire Protection funding has been excellent. Last Congress, Congressman Barry Goldwater, Congressman Jim Corman and I held Congressional hearings in Los Angeles regarding the firefighting operations in Southern California. It was apparent from the testimony received from respresentives of the U.S. Forest Service, the State Department of Forestry, the California Air National Guard, the various county and city fire departments, as well as the Watershed Fire Council of Southern California, the Air Tanker Association and various Los Angeles County Supervisors representing the many homeowners of the area, that FIRESCOPE and related programs must be kept viable.

Let me talk for a few minutes about the FIRESCOPE program. FIRESCOPE is a cooperative venture among agencies crossing jurisdictional boundaries, and was chartered by Congress in 1972 to optimize fire protection services. FIRESCOPE is designed to improve the coordination and effectiveness on multi-jurisdictional fires and other emergencies. The 5-year research effort was completed in 1977, and development is now about 40% complete.

The few operating parts of the program are already paying off. During last November's fires, fire services estimated that they saved more than $800,000 in direct suppression costs and approximately $9 million in private and public property

by utilizing FIRESCOPE procedures and technologies. A fully completed program can reduce costs and losses by an average of $6 million annually according to an economic study. FIRESCOPE is no longer just a local program for the San Bernardino, Angeles, Cleveland, Los Pedres and Dequoia National Forests in Southern California; its wide application ability is rapidly being recognized, and its endorsement by the National Association of State Foresters attests to its effectiveness.

With dozens of fire departments in different jurisdictions, each using different equipment, training methods, and radio frequencies, it was nearly impossible to muster available firefighting forces for timely and effective combined attack on wildfire. The program called FIRESCOPE is a multi-agency coordination system (MACS) where Federal, State, County and Municipal fire chiefs determine priorities and deploy firefighting resources during fires. A map of the 1,400 square miles area served pinpoints all engines, aircraft and fire crews available. Eventually, a computer program called FIREMOD will be used to predict spread rate and size of fire from the time of the first report and initial attack. Computer models will use data on fuel type and age, slope and other terrain characteristics, windspeed and direction, and humidity to predict the location of fire perimeters 6 to 12 hours into the future on major fires and evaluate alternative allocation of suppression forces and tactical and strategic action.

FIRESCOPE has developed standard training and terminology for firefighting organizations and systemized radio frequencies so that agencies can communicate quickly and reliably during a fire.

MR. CHAIRMAN, I, and I speak for many members of the California delegation who could not be here today, would like to request that $2.4 million be contained in the FY 1982 budget for the activities of the FIRESCOPE program.

Additionally, Forest Fire Protection, listed under Forest Management, Protection, and Utilization - National Forest System, Land and Resources Protection, has been recommended at the level of $178 million. I would like to see an additional $3 million added to the budget to make a total of $181 million. This amount is $17 million higher than in the FY 1981 appropriation measure, but $12 million of this will be needed to cover the pay act costs. Other increases in costs due to inflation will absorb another $7 million, so in effect, this is a $2 million decrease from FY 1981.

Fuels management, particularly the building and maintaining of fuelbreaks, is a vital part of the program that this fund supports. It also supports all the activities of fire prevention, fire detection, fire attack and aviation operations.

Southern California has a combination of fuels, topography and weather conditions which create one of the most critical wildfire situations in the world. This was recognized early in California history when the San Gabriel Forest Reserve was established in 1892. The primary objective was the need to protect critical watersheds, thus reducing the risk to life and property from fire and resulting floods and mudflows. Since then, the wildfire situation has become more complex and the addition of large population centers has created high down stream property values and residential development in the critical fire prone watersheds.

As you know, disastrous wildfires are too common in the chaparral brushlands of Southern California. As I stated earlier, 95% of the wildfires are controlled rapidly at 10 acres or less during initial attack. The 5% that are not controlled by initial attack forces normally occur during extreme weather conditions and sometimes become the large disastrous fires. Due to advances in technology and capabilities of the fire service agencies, more of these fires are being controlled without undue property or watershed damage. However, fires which occur during periods of high winds and low humity (such as experienced last November) will continue

to have the potential of becoming large fires with unfortunate losses.

The solution, I am told by fire experts, encompasses more than firefighting techniques and better air attack. It includes fuels management, residential hazard reduction, mountain and foothill residential zoning requirements, and of course an effective prevention effort.

I vigorously support these two items in the 1982 budget as being vital to the welfare and safety of the citizens of southern California. We recognize the need for national economy and the importance of limiting Federal expenditures, but these items are essential expenditures which will ultimately save millions of dollars and reduce human suffering. We, and I speak for the greater part of the California Delegation, urge you to support these items as wise investments for 1982 and the years to come.

Thank you, Mr. Chairman, for allowing me this time to speak in behalf of the FIRESCOPE program and Forest Fire Protection.

TESTIMONY OF CONGRESSMAN FLOYD J. FITHIAN BEFORE THE SUBCOMMITTEE ON INTERIOR
(HONORABLE SIDNEY YATES, CHAIRMAN) OF THE HOUSE APPROPRIATIONS COMMITTEE
MAY 4, 1981

Mr. Chairman, I greatly appreciate the opportunity to offer the subcommittee some thoughts and suggestions concerning your deliberations on the fiscal year 1982 Interior Department appropriations. This subcommittee has been deeply involved in the preservation and development of the Indiana Dunes National Lakeshore Park. I certainly hope that the local residents, visitors, citizens groups, and the elected officials who appreciate the Indiana Dunes realize the dedication and concern that this subcommittee has shown over the years.

I am respectfully requesting an increased appropriation for the Indiana Dunes National Lakeshore Park. In the area of operations, I request that the Interior Department add $35,000 for a Public Affairs Officer. In the area of planning and construction I am requesting an increase of $750,000 for the Dunes area. Concerning land acquisition, I recommend that $2.2 million be included for the Indiana Dunes, and that monies raised from leaseback extensions at the dunes be maintained at the park for future land acquisition.

The most immediate need facing the Indiana Dunes National Lakeshore Park is completion of land acquisition, especially for P.L. 89-761 (1966) and 94-549 (1976). There are only 35 tracts of land (and homes) to be acquired at a cost of $1.7 million. I would respectfully suggest that $500,000 be made available for purchases of land under P.L. 96:612 (1980) so that this land acquisition process can begin. In addition, the 1980 legislation allows holders of reservations of use and occupancy to negotiate an extension of such retained rights for an additional nine years upon payment of the cost of the extended reservation. At present, there are 199 holders of retained rights who are eligible for this 9 year extension -- an extension which could generate as much as $1,180,000 in revenue. I would respectfully request that these revenues raised by extending old leasebacks be retained at the park for additional land acquisition in FY82,

FY 83, and FY84.

The 1980 legislation also required that the National Park Service undertake steps to dedicate the national park to the memory of the late Senator Paul Douglas. To begin this important step, I am requesting $50,000 in planning funds and $500,000 in construction for the Paul Douglas Environmental Education Center at the Indiana Dunes. In addition, the legislation also called for a two-year study of transportation access to the Dunes so that the Greater Chicago-Gary-South Bend-Detroit metropolitan areas would have access to the Indiana Dunes.

Lastly, I would recommend that the Operations and maintenance budget be increased by $35,000 to allow the addition of a Public Affairs Officer at Indiana Dunes. Most of the urban national parks have a Public Affairs Officer to handle press relations, work with various organizations that are concerned about the park, and work with the planning commission concerning the development of the park. This new position is needed at the Indiana Dunes, and I respectfully request that this official be added to the NPS team.

The historic struggle to save the Indiana Dunes has been a long, hard-fought battle in which this committee has played a leading role. We cannot afford to abandon the hopes and dreams of millions of our fellow Americans who live not only in the Middle West, but all across our land. We cannot become complacent about the preservation of the Indiana Dunes. We must remain steadfast in our determination that future generations will be able to enjoy Mt. Baldy, West Beach, the Bailly Homestead, Cowles Bog, and other sections of the Indiana Dunes National Lakeshore Park. It is a promise that we have made not only to ourselves, but to future generations of Americans. I make this appeal not only to your generosity, but to your dedication and vision.

Thank you.

FY 82 Budget
Indiana Dunes National Lakeshore Parks

Land Acquisition:

1. A request for $1,700,000 for land acquisition to complete the park boundaries for P.L. 89-761 and P.L. 94-549 (35 tracts of land from 1966 and 1976)

2. A request for $500,000 for land acquisition funds needed to begin purchase of lands added by the P.L. 96-612 (1980).

3. Section 2 of P.L. 96-612 allows holders of reservations of use and occupancy to negotiate an extension of such retained rights for an additional nine years upon payment of the cost of the extended reservation. These payments must be made prior to September 30, 1983. There are 199 holders of retained rights who are eligible for this extension. If all 199 holders elect to take the 9 year extension, the National Park Service would generate over $1,180,000. I would respectfully urge that these funds raised at Indiana Dunes National Lakeshore Park be retained at the park for additional land acquisition in FY 82, FY83 and FY,84.

PLANNING AND CONSTRUCTION:

1. P.L. 96-612 requires that a study of transportation be completed and presented within two years from date of enactment. This two-year study is estimated to cost $200,000. Its purpose includes the development of alternative plans to improve, construct, and extend access roads, public transportation, and bicycle and pedestrian trails, as well as examination of proposals for renovation and preservation of a portion of the existing South Shore Railroad passenger car fleet.

2. P.L. 96-612 dedicated the Indiana Dunes National Lakeshore Park to the memory of the late Senator Paul Douglas. To provide for the planning and construction of suitable structures, $550,000 is needed in Fy-82. The planning for the Paul Douglas Environmental Education Center is about $50,000, with $500,000 needed for construction.

OPERATIONS AND MAINTENANCE:

1. I would recommend the addition of a Public Affairs Officer at the Indiana Dunes (GS: 12 - $35,000). Most major urban national parks have a Public Affairs Officer to handle press relations and work with the various organizations that are concerned about the park. At Indiana Dunes, the officer would also work with the planning commission concerning the development of the park. This new position is needed at the Indiana Dunes, and I respectfully request that this official be added to the NPS team.

76-703 (6b) O - 81 - 52

STATEMENT OF CONGRESSMAN DANTE B. FASCELL, 15th DISTRICT, FLORIDA, BEFORE THE SUBCOMMITTEE ON INTERIOR OF THE HOUSE APPROPRIATIONS COMMITTEE.

MAY 4, 1981

Mr. Chairman and members of the Subcommittee, I appreciate very much having this opportunity to testify before you. This is a matter which has very grave consequences, not only in my own congressional district, but nation-wide, and it is one about which I feel very strongly.

The Secretary of the Interior's announced moratorium on all federal land purchases and on grants to the States for their parks programs is, in my judgement, unfair to property owners; will result in false economy; and will have a devastating effect on the preservation of extremely valuable and endangered resources.

There are dozens of already-authorized federal parks throughout the country which the federal government has publicly announced it has an intention of acquiring. Three of these are in my congressional district. They are the Biscayne National Park, the Crocodile Lake National Wildlife Refuge and the Big Cypress National Preserve.

The legislation which authorized both the Biscayne National Park and the Big Cypress National Preserve specifically mandate that all privately owned lands must be acquired within a definite period of time. With respect to Big Cypress, that deadline has already passed and it is my understanding that there are about 200 tracts, representing 6,500 acres and some 200 individual owners, remaining to be negotiated to a conclusion. Some 5,500 tracts are in condemnation proceedings.

The Biscayne National Park legislation, enacted last year, directs that all the privately owned lands must be acquired within three fiscal years. The previous administration's FY 1982 budget recommended $5 million to begin acquisition and this represents half of the total amount expected to be required.

-more-

The Crocodile Lake National Wildlife Refuge was established by order of the Secretary of the Interior in an effort to preserve the seriously endangered specie of the American crocodile. This involves 7,100 acres on Upper Key Largo, Florida, and 62 individual owners (some owners have more than one tract). Of the 18 known remaining crocodile nests in the entire country, seven are located in the Refuge. $2.6 million has already been appropriated for acquisition in FY 1981 and $2.1 million had been budgeted for FY 1982. I am deeply thankful to you for approving a resolution of disapproval on the administration's rescission of the 1981 money and will support this when it comes to the floor for a vote.

Mr. Chairman, once the federal government has declared its intention to acquire property from private landowners, there is an inherent obligation on the part of the government to proceed with those acquisitions as quickly as possible. Property owners are required to continue to pay taxes until their land has been acquired and they are, for all practical purposes, unable to do anything with the land whereby they could realize any income from it. For the federal government to adopt a policy of not acquiring the land amounts to condemnation without compensation. It is unfair and unconscionable.

The moratorium on land acquisition is also, it seems to me, false economy. The Washington Post, in an editorial of April 11, 1981, (copy attached for the record), points out that the cost to the government several years from now is likely to be much higher as land values continue to rise around the country. Therefore, in the long run we will not be saving money by not acquiring these lands in a timely fashion, but spending more of it.

Finally, failure to incorporate these lands into the National Park System will seriously endanger the chances that they will ever be preserved for future generations. Once lost to development, they can never be recovered

and the American people will have lost forever a very valuable resource. It is our responsibility to see that this does not happen.

Secretary Watt has proposed that the very small amount of money which is now budgeted by the administration for the Land and Water Conservation Fund be used for maintenance of existing parks instead. There is no question that many of our older parks need refurbishing. However, the legislation establishing the Fund clearly states that the monies are to be used for federal land acquisitions and for grants to the States. There is no provision for the use of these funds for maintenance of federal parks. In an editorial on April 19, 1981, (copy attached for the record), the Miami Herald states that "the trust fund, now generating $900 million per year, is supported by revenue from offshore oil leases, not from taxes. It operates on the classic conservative principle that income from nonrenewable resources should be spent as capital outlays in one-time acquisitions, not on recurring operating expenses. Yet the Administration seeks to breach that principle by diverting the trust fund to maintenance."

With respect to the Land and Water Conservation Fund's states grants programs, our State and local governments will face serious consequences without these funds as well. Many of these entities already have planning well under way which involve matching grants. The same problems which I have already cited with respect to the results of a moratorium on federal land purchases will be multiplied at the state and local levels if the expected grants are not forthcoming.

Mr. Chairman, each and every one of us is keenly aware of the need to reduce federal spending and we all support the President's goal of trying to achieve a balanced budget. We are all under tremendous pressure to do so and I think we will come up with a vastly reduced budget this year. But we will

not be helping the economy if what we do not spend now ends up costing more later. And we will not be helping the economy if property owners cannot get their money out of land which the government has said it intends to take and invest it elsewhere, where it can become income-producing. That, at least, is my understanding of what "supply-side economics" is all about.

For all of these reasons, I urge you to appropriate funds for the Land and Water Conservation Fund at a level that will cover federal acquisitions that had originally been programmed for FY 1982. I believe the States are prepared to accept a reduced level of funding as long as what remains is apportioned fairly among them. This is the fair and reasonable thing to do.

###

[From the Washington Post, Apr. 11, 1981]

Shaping Up the Park System

There is a superficial logic in the plan Secretary of the Interior James Watt has proposed for the national parks system. He wants to fix up the parks that already exist and halt, at least temporarily, the acquisition of new park land. Given the conditions of many of the great national parks—shabby is the right word—and the vast expansion of the park system in the last decade, the idea seems to make sense.

As with many such ideas, however, there is a problem. The government has a backlog of about a billion dollars worth of land that Congress has said it wants to buy for the park system. This includes not only many recently authorized parks but parts of such established parks as Redwood and the Cape Cod National Seashore.

The people who own that land are mostly waiting to get their money; there isn't much of a market for land the government has said it is going to take. Under Mr. Watts' proposal, these owners will simply have to continue to wait—which, in some cases, will make them happy—while the value of their land appreciates. The ultimate cost to the taxpayer of course, is likely to be much higher in 5 or 10 years than it is now.

Mr. Watt is right in claiming that there is a need to reevaluate the whole park system. The "park barrel" did seem to replace the old pork barrel in recent sessions of Congress when members began to prefer parks to dams in their home districts. But the way to handle that reevaluation is for Mr. Watt and his experts to recommend to Congress which parks should be de-authorized.

In the meantime, it would be wiser to spend whatever money is available buying land the Park Service knows it will need than to scrub the buying program in favor of refurbishing the older parks. The public has put up with the shabbiness of some of those areas for a good many years now and can continue to do so for a while longer. Any appreciable delay in the acquisition program increase the risk that the land will never be bought and that it will be used in ways incompatible with a park before the government gets around to obtaining it.

[From the Miami Herald, Apr. 19, 1981]

Fund to Buy Park Land Should Not Be Usurped

Until now, the sanctity of the Federal trust fund that pays for additions to the national-park system had not been challenged. Since Congress established the Land and Water Conservation Fund in 1964, four Presidents—two Republican and two Democratic—had honored its role in buying endangered lands for public use.

No more. The Reagan Administration has asked Congress to open the trust fund for the first time for maintenance, not purchase, of Federal properties.

Congress must not permit this abrupt about-face after a generation of sound parks planning. What Interior Secretary James Watt proposes is not mere fiscal conservatism. It is a repudiation of the fundamental principle of the national park system. Mr. Reagan's electoral victory was not a mandate for any such attack on the public interest.

South Floridians can see the impact of Secretary Watt's ideological coup already. Purchase of land in the Big Cypress National Preserve, Biscayne National Park, and Crocodile Lake National Wildlife Refuge on Key Largo has been ordered halted.

The result is that 71,000 acres of prime shoreline in Biscayne Bay will not be bought on the three-year schedule that Congress adopted last year. Big Cypress, a critical recharge area for South Florida's drinking water, will remain in a checkerboard pattern of public and private ownership. The major remaining habitat of the Florida crocodile will hang as tempting bait for several eager developers.

This spending freeze betrays the trust that local and state governments placed in Washington when all acted together to preserve Biscayne Bay and the other critical properties. Coupled with the assult on the trust fund, the spending freeze is exposed as more than a delay adopted as a fiscal constraint. It is half of a pincers movement that could foreclose parks acquisitions entirely.

The trust fund, now generating $900 million per year, is supported by revenue from offshore oil leases, not from taxes. It operates on the classic conservative principle that income from nonrenewable resources should be spent as capital outlays in one-time acquisitions, not on recurring operating expenses. Yet the Administration seeks to breach that principle by diverting the trust fund to maintenance.

More than half the fund's expenditures go to local and state governments in dollar-for-dollar matching grants. The Federal turnabout therefore would hamstring many acquisitions already planned by the states, including Florida. And without a continuing Federal land-purchase program, there is little hope for the critical 17,000 acres optioned by the Trust for Public Land on the eastern boundary of Everglades National Park.

Florida *needs* the lands whose purchase now is threatened. Even more important, the nation needs the systematic and financially secure approach to parks expansion that it adopted with the trust fund so many years ago. It's doubtul that those who voted for Mr. Reagan meant thereby to endorse dismantling that nonpolitical and cost-effective program. They should tell him so, and Congress with him, before it's too late.

PHILLIP BURTON
6TH DISTRICT, CALIFORNIA

2304 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515
PHONE 202-225-4965

DISTRICT OFFICE:
450 GOLDEN GATE AVENUE
SAN FRANCISCO, CALIFORNIA 94102
PHONE: 415-556-4862

Congress of the United States
House of Representatives
Washington, D.C. 20515

COMMITTEES:
EDUCATION AND LABOR
INTERIOR AND INSULAR AFFAIRS
DEMOCRATIC STEERING AND POLICY COMMITTEE
CHAIR, SUBCOMMITTEE ON LABOR-MANAGEMENT RELATIONS
CHAIR, HOUSE DELEGATION NORTH ATLANTIC ASSEMBLY

May 4, 1981

Honorable Sidney R. Yates, Chairman
Subcommittee on Interior
Committee on Appropriations
U.S. House of Representatives

Dear Mr. Chairman,

I wish to call the attention of the subcommittee to appropriations needs vital to the preservation and visitor enjoyment of Golden Gate National Recreation Area and to request that this information be made a part of the record of the May 4 hearings.

Appropriations for Golden Gate are of particular significance to the public because this NPS unit not only protects resources of unquestioned national importance but also attracts a large number of visitors. For example, the Director of the Western Region of the National Park Service reports that during the month of February, 46 percent of the visitors to the region went to parks in the San Francisco Bay area; 1.2 million of the region's 2.8 million visitors went to Golden Gate.

Adequate Land and Water Conservation Fund appropriations are essential to ensure the protection of areas recently authorized by Congress for addition to the GGNRA. In recognition of the importance of these areas, the Interior Committee has recommended a $12 million appropriation for Golden Gate LWCF in Fiscal Year 1982. In particular, funds are needed on a timely basis to acquire the West Aspin Corporation property in Sweeney Ridge, where the Trust for Public Land has an option for purchase. If the option is not exercised at this time, it will greatly escalate the cost to the taxpayer.

Provision of adequate operation, maintenance, and construction funds to the National Park Service is of special importance in an area such as Golden Gate that serves such a large number of visitors. I particularly would like to call your attention to the need for additional appropriations in the Fiscal Year 1982 construction program for a landscaping project at Fort Mason in Golden Gate. This project is the continuation of an effort to convert the fort on San Francisco's waterfront to a landscaped park providing a good recreational environment and an appropriate setting for the NPS headquarters.

Instead, for the past three years a large area of highly visible open space at Fort Mason has been an eyesore of dirt, rocks, and debris because of a lack of appropriations to finish the project. An amount of $1.4 million requested but not appropriated for Fiscal Year 1981 would enable the National Park Service to complete all landscaping, walkways, parking areas, and other measures

continued

THIS STATIONERY PRINTED ON PAPER MADE WITH RECYCLED FIBERS

needed to transform the area as originally intended. However, an appropriation of $600,000 would at least facilitate completion of the most essential landscaping and a parking lot needed to relieve congestion during frequent programs held at Fort Mason. An appropriation of $300,000 would merely enable the Park Service to plant and grade the site to halt the problem of blowing dust and sand but would be inadequate for carrying out the main purpose of the area and would postpone an expenditure needed for the benefit of GGNRA visitors. Obviously, sufficient funding for this project is vital to the maintenance of community relations between the Park Service and the surrounding area.

Your careful consideration of these needs at Golden Gate will be appreciated.

Kindest personal regards,

Sincerely,

PHILLIP BURTON, M.C.

PB:jm

ENERGY AND COMMERCE COMMITTEE
SUBCOMMITTEES:
ENERGY, CONSERVATION AND POWER
FOSSIL AND SYNTHETIC FUELS
TELECOMMUNICATION,
CONSUMER PROTECTION AND FINANCE

GOVERNMENT OPERATIONS COMMITTEE
SUBCOMMITTEE:
CHAIRWOMAN: MANPOWER AND HOUSING

SELECT COMMITTEE ON
NARCOTICS ABUSE AND CONTROL

CARDISS COLLINS
7TH DISTRICT, ILLINOIS

PLEASE SEND REPLY TO:
☐ 2438 RAYBURN OFFICE BUILDING
WASHINGTON, D.C. 20515
(202) 225-5006

☐ SUITE 3860
230 SOUTH DEARBORN STREET
CHICAGO, ILLINOIS 60604
(312) 353-5754

☐ 3851 WEST ROOSEVELT ROAD
CHICAGO, ILLINOIS 60624
(312) 522-2442

Congress of the United States
House of Representatives

May 15, 1981

Honorable Sidney R. Yates, Chairman
House Appropriations Subcommittee
on the Interior
B-308 Rayburn House Office Building
Washington, DC 20515

Dear Congressman Yates:

Enclosed please find a copy of correspondence which I am submitting to be included in the Record of Hearings held before your Subcommittee on May 4, 1981.

Thank you for your attention to this matter.

Yours truly,

Cardiss Collins

CARDISS COLLINS
Member of Congress

Enclosure

CC/DW/djr

North Carolina Central University
Music Department
Durham, North Carolina 27707

The Honorable Cardiss R. Collins
Congressional Black Caucus
2455 Rayburn House Office Building
Room 2175
Washington, D. C. 20515

Dear Mr. Collins:

It is very crucial for the Afro-American race to maintain, uplift, and contribute to its rich heritage and extensive culture. Jazz, as a part of the Afro-American music, is deeply embedded in that heritage and culture. Jazz is a phenomenal creation, accomplishment, and contribution to the American culture as a whole.

As a jazz artist, performer, composer and professor, I appeal to you as a member and supporter of our rich heritage and culture to assist in preserving an institution that daily struggles to maintain, uplift, and contribute to that Black aesthetic art form - jazz. That institution is the National Endowment for the Arts. There is a vital need to keep the jazz program thriving at that Institution. Assistance could be supplied in the form of federal funding due to the fact that funding has already drastically been reduced 50%.

A great mistake would be made in decreasing and restricting the programs and resources that the National Endowment for the Arts provides, especially now when activity and interest have increased. Under the directorship of Ms. Aida Chapman, the applications have doubled. For the upcoming scholarship and grant year of 1982, the applications are expected to triple.

I invite you to examine this tragic situation and assist in uplifting the National Endowment for the Arts so that this institution may continue to serve in fulfilling an awesome function of offering sources of continuing contribution to the Black heritage and culture and to the field of jazz specifically.

I am pround of my Black heritage and culture, join me as a jazz philanthropist in celebrating it. Support the National Endowment for the Arts by advocating increased federal funding to assist the jazz program.

Sincerely,

Donald L. Byrd, Panelist
National Endowment for the
Arts

WITNESSES

Page

Abravanel, Maurice 770, 773, 784, 786, 792
Albee, Edward 968
Albrecht, Kenneth 742, 752, 757
American Arts Alliance 1008
Anthony, Tobias 474
Baboyian, H. K 474
Backas, James 1039
Barden, B. W 1075
Beilenson, Hon. A. C 1484
Bingham, Hon. Jonathan 1500
Bishop, B. H 948, 952
Block, E. M 742, 743, 748
Bonney, E. H 685
Bradley, David 330
Brady, J. M 273
Brady, Jerry 1281, 1293, 1337
Breaux, Hon. J. B 1506
Brinkley, Hon. Jack 1498
Building Owners and Managers Association International 1232
Bullard, Clark 1110, 1101
Burton, S. D 1039
Bustard, T. S 224
Buswell, James 771, 784, 796
Carlsmith, Roger 1109
Cauthen, Henry 913, 914, 923
Chamber Music America 1040
Chao, Eugene 239
Churko, H. M 1073
Coe, Ted 948, 955
Comissiona, Sergiu 784, 787, 984
Cousin, S. B 239
Davidson, Gordon 804, 816
Davis, Harold 474
Davis, Ossie 573
deLavellade, Carmen 840, 865, 871
Diaz, Frank 995
DiChiera, David 829
Doctorow, E. L 960
Douglas, D. W., Jr 474
Doyle, Patricia 903
Driver, Senta 840, 869
Empey, Betty 1086
Endahl, Lowell 123

Page

Evans, Hon. T. B., Jr 1387
Fascell, Hon. D. B 1496
Feld, Eliot 840, 871
Feldman, Nancy 840
Fish, Hon. Hamilton, Jr 1413
Fisher, Kat 1065
Flinn, R. A 65
Force, Roland 685
Forsythe, Hon. E. B 1506
Frank, Fred 1337
Freed, R. D 1004
Freeman, Susan Gallagher 1036
Frohnmayer, John 913, 927
Fuentealba, Victor 770, 772
Fulkerson, William 1109
Fuqua, Hon. Don 1413
Gaudet, Beverly 1074
Gavin, Lt Gen. J. M 575
George, Father W. L 206
George, Gerald 1030
George, Gwen 1081
German, Mike 353
Gibbons, John 1088
Glendon, Sister Barbara 346
Glickman, Hon. Dan 1413
Goettle, R. J. IV 1283
Goldstein, A. L 474
Goldwater, Hon. B. M., Jr 1517
Gore, Hon. Albert, Jr 1439
Gorg, Gwyn 1083, 1084
Grainey, M. W 1361
Grandis, Edward 360
Green, Bertram 597
Greene, David 1281, 1304
Greene, L.W 1087
Habib, J. B 230
Haney, Eugenia 1067
Hansen, D. F 285
Hardison, O. B 633
Harris, Lou 884
Hatsopoulos, G. N 73
Hawkins, G. T 250
Hegnaver, Ann 123
Hester, Lex 1219, 1220
Hirst, Eric 1100, 1109
Hudson, E. A 1283
Hunt, Richard 970
Independent Video and Filmmakers, Inc 1027
Johnson, H. W 564
Jones, James Earl 804, 819
Jorgenson, Dale 1281
Kamo, Ray 1281
Katz, Alex 974
Kavafian, Ani 770, 784, 790

Page

Keating, Charles 1357
Koner, Pauline 1079
Krainik, Ardis 829, 836
Kreason, Evelyn 1069
Krier, J. P 913, 916, 936
Lane, W. C. Jr 1356
Lantos, Hon. Thomas 1537
Lantz, G. B 633
Larson, R. E 474
Lawrence, G. H 353
Lawrence, L. R., Jr 89
Lawrence, V. B 1039
Lawson, W. P 1046
Leber, Eric 123
Lee, B. S 146
Lee, Ming Cho 804, 822
Levine, Phyllis 1062
Lilienthal, Sukey 1058
Linden, H. R 1
Lomax, Alan 957
Lonsdale, H. K 474
Lorenz, L. (Lap) P 353
Lujan, Hon. Manuel, Jr 1482
LuPone, Patty 804, 823
Manning, Bob 1076
McBride, Gardner 1219
McCreight, Betsy 597
McQueen, Sue 1072
Mebane, Mary 633
Morca, Teodoro 1082
Morris, Stanley 33
Motz, Julie 625
Myers, Sondra 597
National Assembly of State Arts Agencies 1047
Neel, Darlen 1060
O'Connor, Sara 804, 805, 814
O'Neil, Mrs. B. L 685
Obermayer, A. S 474
Oberstar, Hon. J. L 1445
Oldenburg, Richard 948
Ossofsky, Jack 1049
Pasztor, Laszlo 267
Peacock, Thomas 33
Pico Neighborhood Association 1085
Price, Richard 964
Quick, Richard 267
Rabb, George 685
Railsback, Hon. Tom 1511
Ralphe, David 990
Rauschenberg, Robert 972
Richmond, Hon. Fred 1387
Roach, Robert 319
Robbins, Jerome 840, 841, 867
Roiyce, Catherine 1070

Page

Rosenfeld, Art 1219
Rousselot, Hon. J. H 1490
Rundell, Walter 633
Santini, Hon. Jim 1475
Saunders, F. A 897
Schaeffer, M. C 1056
Schoettler, Ellouise 976
Schumacher, Dana 1064
Schuman, William 1006
Schwarz, Gerard 771, 773, 784, 788, 798
Schweickart, R. L 326
Scott, R. M 948
Seiberling, Hon. J. F 1470
Sephton, H. H 474
Sherman, Michael 338
Shirley, George 829, 834
Sitton, Bob 980
Smith, Granville 273
Smith, Pete 273
Stapleton, Jean 804, 820
Sternlicht, Beno 1281, 1316
Stewart, Rowena 685
Stuart, Barbara 1074
Sweeney, P. J 913, 918, 931
Syniuta, Walter 273
Taylor, Anita 1046
Taylor, Billy 881
Tharp, Twyla 1054
The Eighteenth & Columbia Road Business Association 1035
Thompson, Grant 1100, 1148
Timmcke, Wesley 33
Toman, Betty 1063
Tribble, Hon. P. S., Jr 1530
Truitte, James 1055
Trusty, Shirley 946
Tuchman, Barbara 570
Udall, Hon. M. K 1457
Valente, Benita 829, 839
Vento, Hon. B. F 1479
Verdy, Violette 840, 868
Weaver, Hon. Jim 1540
Weiss, Hon. Ted 1387
Weller, Michael 804, 815
Werbel, Lee 1078
Wilbanks, Thomas 1109
Williams, Hon. Pat 1504
Williams, John 770, 771, 773, 784, 785
Williams, Robert 1100, 1161
Williamson, Trish 1066
Women & Their Work, Inc 1043
Yeager, Brooks 257
Zali, Lila 1068

○