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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—INDEPENDENT AGENCIES APPROPRIATIONS FOR 1982

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HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES

NINETY-SEVENTH CONGRESS

FIRST SESSION

SUBCOMMITTEE ON HUD—INDEPENDENT AGENCIES

EDWARD P. BOLAND, Massachusetts, *Chairman*

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PART 4

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Neighborhood Reinvestment Corporation	495
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Printed for the use of the Committee on Appropriations

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—INDEPENDENT AGENCIES APPROPRIATIONS FOR 1982

TUESDAY, MARCH 17, 1981.

FEDERAL EMERGENCY MANAGEMENT AGENCY

WITNESSES

BERNARD T. GALLAGHER, ACTING DIRECTOR
RICHARD W. KRIMM, ACTING ADMINISTRATOR, FEDERAL INSURANCE ADMINISTRATION
JOSEPH A. MORELAND, ACTING ADMINISTRATOR, U.S. FIRE ADMINISTRATION
JOHN W. McCONNELL, ACTING ASSOCIATE DIRECTOR, PLANS AND PREPAREDNESS
THOMAS R. CASEY, ACTING ASSOCIATE DIRECTOR, DISASTER RESPONSE AND RECOVERY
ROBERT CRAWFORD, ACTING ASSOCIATE DIRECTOR, MITIGATION AND RESEARCH
RICHARD H. WILCOX, ACTING DIRECTOR, OPERATIONS SUPPORT
DAVID McLOUGHLIN, ASSISTANT DIRECTOR, TRAINING AND EDUCATION
ROBERT H. VOLLAND, DEPUTY DIRECTOR, FINANCE AND ADMINISTRATION
DONALD YOUNG, ACTING EXECUTIVE ASSISTANT
MARTHA BRADDOCK, DIRECTOR, OFFICE OF CONGRESSIONAL AFFAIRS
GEORGE JETT, GENERAL COUNSEL
BARBARA POWELL, SPECIAL ASSISTANT TO THE ACTING DIRECTOR
JAMES DOKKEN, DIRECTOR, PROGRAM SUPPORT OFFICE, DISASTER RESPONSE AND RECOVERY
SARA RENAHAN, PROGRAM ANALYST, PROGRAM REVIEW AND EVALUATION, FEDERAL INSURANCE ADMINISTRATION
JAMES RITA, BUDGET OFFICER, U.S. FIRE ADMINISTRATION
ANGELO SPANO, MANAGEMENT AND ADMINISTRATION
CHARLES THIEL, ASSISTANT ASSOCIATE DIRECTOR, NATURAL AND TECHNOLOGICAL HAZARDS OFFICE, MITIGATION AND RESEARCH
JAMES SIMPSON, PROGRAM ANALYST, SPECIAL INITIATIVES DIVISION, OPERATIONS SUPPORT
SHIRLEY ARSENEAU, PROGRAM ANALYST, PLANS AND PREPAREDNESS

	1981 Carter	1981 Reagan	1982 Carter	1982 Reagan
Appropriation	$1,200,254,000	$1,190,787,000	$1,073,620,000	$1,038,121,000
Total compensable workyears	2,585	2,330	2,587	2,301

Mr. BOLAND. The Committee will come to order.

We are pleased to have the Federal Emergency Management Agency with us this afternoon. We welcome for the first time Bernard T. Gallagher, Acting Director; Richard W. Krimm, Acting Administrator, Federal Insurance Administration; John W. McConnell, Acting Associate Director, Plans and Preparedness; Robert Crawford, Acting Associate Director, Mitigation and Research; and Richard H. Wilcox, Acting Director, Operations Support.

We welcome back Joseph A. Moreland, Acting Administrator, U.S. Fire Administration; Thomas R. Casey, Acting Associate Director, Disaster Response and Recovery—glad to see you with your green tie, carnation, and Irish smile; David McLoughlin, Assistant Director, Training and Education; and Robert Volland, Deputy Director, Finance and Administration.

We are delighted to have all of you. We will place the biographical sketches of our new witnesses in the record at this point.

Mr. Gallagher, why don't you proceed with your statement.

[The biographical sketches follow:]

BIOGRAPHICAL SKETCHES

BERNARD T. GALLAGHER

Bernard T. Gallagher, the Acting Director of the Federal Emergency Management Agency (FEMA), was appointed to the position by President Reagan on January 20, 1981.

Gallagher's 38 years of Federal service have featured long experience in emergency management with FEMA and predecessor agencies, serving as head of the Special Facility of these agencies since 1968. His career has included service with the Office of Emergency Preparedness in the Executive Office of the President from 1965–73, and the Federal Preparedness Agency in the General Services Administration from 1973 to 1979, when FEMA was created.

Prior to retiring from the U.S. Air Force in 1965, Gallagher had a series of interesting and challenging assignments. Among these were:

Establishment of the Air Force disaster preparedness program in 1964–65, governing Air Force response to domestic and foreign emergencies, including civil disturbances, natural disasters, nuclear accidents, exotic fuel mishaps, civil defense crises, and post-attack measures dealing with enemy nuclear, biological, or chemical attack.

U.S. representative on two NATO committees on standardization of defense measures against nuclear, biological, and chemical warfare. In 1964–65, he served as Chairman of the Quadripartite Air Standardization Coordinating Committee, consisting of the U.S., Great Britain, Canada, Australia, and New Zealand.

Responsibility for setting up advance logistical and operational support for domestic and foreign trips of the President in 1963–64, including President Kennedy's trip to South America.

As an Air Force fighter pilot, Gallagher flew through the mushroom clouds of 12 different nuclear test detonations in 1952–53 in Nevada and mid-Pacific Ocean to make scientific measurements and collect radioactive samples for study. He wore special lead apparel during the volunteer missions.

Gallagher also served with the U.S. Army Air Corps from 1941 to 1947, when it became the Air Force. On his second mission as a B–17 bomber pilot, he was shot down on January 4, 1944 over Denmark. He was first picked up by Danish partisans, but later captured by the Gestapo and held prisoner until his liberation on May 1, 1945.

In his new position, Gallagher, 58, will direct an independent Federal agency with broad missions involving preparedness, mitigation, and response to emergencies ranging from natural and man-made peacetime disasters to a nuclear attack. He will oversee related programs such as civil defense, continuity of government operations, critical materials stockpiling, planning for defense mobilization, dam safety, disaster response and recovery, and various disaster mitigation effects such as earthquake preparedness.

Also within FEMA are the Federal Insurance Administration, which operates programs for insurance against floods, crime, and civil disorder; and the U.S. Fire

Administration, which administers fire prevention, training, and centralized fire data services for the United States.

Gallagher's advanced education includes the University of Alabama, the University of Texas at El Paso, the University of Virginia, the Air University Command and Staff College, and the Industrial College of the Armed Forces. He is a member of MENSA.

He was born January 28, 1922, in New York City, and has a son and two daughters. He and his wife, Stanley, reside in Leesburg, Virginia.

Richard W. Krimm

A native of Williamsport, Pennsylvania, Mr. Krimm is a graduate of Dartmouth College, Hanover, New Hampshire, with a degree in English and History. He attended the New York University Graduate School of Business Administration majoring in Management. From 1956 to 1957 he served in the United States Army, Counter Intelligence Corps.

After the Army, he spent six years managing a family-owned lumber manufacturing business. When the business was sold in 1964, he was appointed to the Pennsylvania Insurance Department by Governor Scranton.

From 1964 to 1970, he served in the Pennsylvania Insurance Department in several capacities from the examination, licensing and regulation of insurance agents, as Director of the Rating Bureau and as Deputy Commissioner for Companies. He worked on several committees of the National Association of Insurance Commissioners.

In March of 1970, he joined the Federal Insurance Administration as Assistant Administrator for Flood Insurance.

During the development period of the National Flood Insurance Program, Mr. Krimm worked closely with the National Association of Flood Insurers, a partnership of the Federal Government, and the insurance industry, to expand the program. After the disastrous floods in 1972 and 1973, the program was strengthened by the Flood Disaster Program Act of 1973. Mr. Krimm assisted in the drafting of this legislation and worked diligently for the passage of the Act.

After a 1978 reorganization of the Federal Insurance Administration, the Office of Flood Insurance was abolished and Mr. Krimm became Assistant Administrator for the Office of Natural Hazards Reduction. In this capacity, he has been responsible for the expansion of the flood plain management portion of the program including the initiation of a State Assistance Protection and a Property Acquisition Program.

Currently, he is serving in the capacity of Acting Federal Insurance Administrator.

John Worley McConnell

John W. McConnell is a native Hoosier, emerging from four previous generations of farm families in the great State of Indiana.

John, after serving as an artillery officer in Europe during World War II, returned to Indiana and served fifteen years in a full-time capacity with the Indiana National Guard. While serving as the State Adjutant General from 1957 to 1960, he acquired the additional function as State Director of Civil Defense. This lead to his appointment as Regional Director of the Office of Civil and Defense Mobilization at Battle Creek, Michigan, in August of 1960.

When OCDM was dismantled in 1961, John was called into the Pentagon to assist in organizing the Office of Civil Defense. He served as Director of Operations and the Director of Plans and Operations with OCD and its successor, Defense Civil Preparedness Agency, until July 15, 1979, when the Federal Emergency Management Agency was formed. CDPA was abolished and all personnel were transferred to the new Federal Emergency Management Agency.

Mr. McConnell served as Assistant Associate Director for Population Preparedness under the Associate Director for Plans and Preparedness. Effective January 16, 1981, he was appointed as Acting Associate Director for Plans and Preparedness.

Robert Clement Crawford

Robert C. Crawford is a native of the Keystone State, having been born in Philadelphia, with subsequent residence in Camp Hill and Bethlehem, Pennsylvania.

After enlisting with the U.S. Army just following World War II, he attended Gettysburg College, graduating with an A.B. degree in Economics (cum laude). Upon

graduation, he was commissioned and served in the United States Air Force Reserve. His graduate education includes a Master of Public Administration degree from Wayne State University, and Ph. D. candidacies in Public Administration at Cornell and American Universities. He has served as an adjunct lecturer in the business management graduate program at George Washington University, was a Federal Executive Fellow at the Brookings Institution, and attended the Federal Executive Institute in Charlottesville, Virginia. In 1955–56, he was a U.S. Fulbright Fellow in the Netherlands, assigned to The Hague.

Mr. Crawford is a career Federal executive, having commenced his professional career in the naval reactors and weapons programs of the U.S. Atomic Energy Commission. Subsequent service included the Office of Economic Opportunity in the Executive Office of the President, and the National Science Foundation where he participated in the conceptualization and development of the Intergovernmental Science Programs, serving as Director from 1975–1979.

He has been active in a wide range of community affairs, including memberships on the Rockville, Maryland City Planning Commission, the Montgomery County, Maryland, Charter Review Commission, Chairmanship of a 1,800 member nonpartisan Rockville citizens group (Citizens for Good Government), and serves as a Ruling Elder of the Rockville United Church. He is at present a member of the Board of Trustees of the Illinois College of Podiatric Medicine and is a licensed Real Estate Agent in the State of Maryland. Mr. Crawford is the author of several publications on the urban technology applications and technology transfer.

Mr. Crawford has served as the Assistant Associate Director for Applications, Office of Mitigation and Research, of the Federal Emergency Management Agency from October, 1979 until the present. Effective January 26, 1981, he was appointed as Acting Associate Director for Mitigation and Research.

RICHARD H. WILCOX

In the present FEMA organization, Richard H. Wilcox is the Acting Assistant Director for Operations Support. He is currently responsible for communications and analysis carried out in support of the operational functions of the agency. He holds baccalaureate and professional degrees in electrical engineering and a masters in engineering administration. His various prior positions in the Naval Research Laboratory, the Office of Naval Research, the Office of Emergency Preparedness, and the Arms Control and Disarmament Agency, have generally involved computers and communications, information systems, emergency management, and operations analysis.

OPENING STATEMENT

Mr. GALLAGHER. Mr. Chairman, as Acting Director of the Federal Emergency Management Agency, I am pleased to appear before this committee to present the Agency's appropriations requests for fiscal year 1982.

Fiscal year 1980 was the first full year of this Agency's operations—an Agency which comprises many varied and complex functions. I am pleased to report that, while there have been problems, there have also been significant accomplishments, and efforts have been made to establish a cohesive organization and to economize wherever possible. For example, our fiscal year 1982 budget request is $1,038,121,000. This amount is $35,499,000 less than the fiscal year 1982 estimates submitted by President Carter in January, and is $153 million less than the amount currently estimated for fiscal year 1981, and $278 million less than the amount appropriated for fiscal year 1980.

These reductions have been made possible by a general "tightening-of-the-belt" throughout the Federal Emergency Management Agency and from anticipated results of policy changes affecting the National Flood Insurance Fund and the Disaster Relief Fund.

Since my appointment in January, I have been reviewing the budget and its implications for the coming year, and I am here to support the total estimates before you as necessary to maintain the

Agency. Recently, the President has announced his intention to nominate Mr. Louis O. Giuffrida to be the Director of the Federal Emergency Management Agency. I am sure that Mr. Giuffrida will carefully review the Agency's mission and programs. It is possible that this review will lead to a different resource distribution. We will advise you and work closely with the Committee if the review affects the requests now under your consideration.

The budget does reflect increased funding levels for several priority programs in fiscal year 1982. The first of these is the National Civil Defense program, for which $133 million is requested. This includes an increase which will preserve the momentum achieved in the current fiscal year. The second area of emphasis is mobilization planning. Work has recently begun, in conjunction with the National Security Council, to give increased attention to this long-neglected facet of our preparedness responsibilities. A third priority area is continuity of government planning, sparked by program requirements and emphases supported by the National Security Council. This activity deals with Presidential successor support planning and essential uninterruptible functions of Federal agencies in an attack environment. A fourth area receiving increased attention is earthquake hazard reduction, in line with the Federal Emergency Management Agency's responsibilities under the Earthquake Hazards Reduction Act of 1977, and the results of a recent National Security Council study on a potential major earthquake in California. The fifth area of increase is radiological emergency preparedness, in which the Federal Emergency Management Agency is responsible for taking the lead in developing off-site emergency plans for areas surrounding fixed nuclear facilities. Other activities funded through the Federal Emergency Management Agency remain essentially level or decrease in fiscal year 1982.

Our experience with the Disaster Relief Fund last year demonstrates the difficulty in projecting disaster funding requirements with any accuracy, but we believe the $369 million request to be a reasonable one in light of experience in a normal year.

As was the case for the first time last year, we are requesting appropriations to retire outstanding indebtedness of the National Flood Insurance Fund—an amount of $373 million for fiscal year 1982.

This statement is purposely brief, to permit more time for discussion of the budget estimates. I have with me the acting heads of our major program offices upon whom, with your permission, Mr. Chairman, I will rely to provide the detailed answers to your questions. I have with me, should you desire it for the record, a copy of the interim organization chart under which the Federal Emergency Management Agency is presently operating.

You should also be aware and your staff has been so advised that the "Actual fiscal year 1980" column of the estimates so far as we know is not entirely correct. This is a result of a number of in-house problems which we are making strong efforts to overcome, including some organizational changes and an outside-of-government audit of our accounting procedures and system. Based on the results of this audit, we are instituting corrective measures. We

expect to complete our reconciliation with Treasury shortly, and will present the Committee with the results of this effort.

In reviewing last year's hearings, I noted the Committee's dissatisfaction with the justification material. With the assistance of your staff, we have restructured the submission and hope that you have found the results more acceptable.

This concludes my prepared statement, Mr. Chairman. I would like now to introduce my colleagues and to address your questions.

REPROGRAMMING

Mr. BOLAND. Thank you very much, Mr. Gallagher.

On page two of your statement, you indicate that the President has announced his intention to nominate General Giuffrida to be Director of FEMA. You indicate further, that it is possible that his careful review of the Agency's missions and programs, may lead to a different resource distribution.

I know that you are aware of, but I want to reinforce, the Committee's policy on reprogramming. We expect you to advise General Giuffrida to inform this Committee if his review of FEMA's programs results in a different resource distribution. The Committee's report directs that any reprogramming or transfer of funds between programs and activities of the Agency in excess of $250,000 must have prior approval of the Committee on Appropriations. We just want to be sure the new Director is familiar with that policy.

I presume that the Agency is abiding by this directive in 1981 to date?

Mr. GALLAGHER. Yes, sir.

Mr. BOLAND. I'm sure that any proposed resource distributions will be accompanied by formal reprogramming letters or budget amendments.

Mr. GALLAGHER. Yes, sir; there is one pending, but it is still at OMB.

Mr. BOLAND. You indicate on page four of your statement, that the "Actual FY 1980" column of the estimates is not entirely correct. There are some deficiencies in the 1980 actual and the 1980 estimate columns, but we appreciate the fact that you have called our attention to these.

You also refer on the same page, to this Committee's dissatisfaction with the 1981 justification material. We recognize that organizing a new governmental entity from its component agencies is a difficult task. Unfortunately, the 1981 justifications bore witness to that. However, the 1982 justification is considerably better than the 1981 product: it is obvious that a great deal of time and effort of the Committee staff and your people, went into the preparation of the 1982 justifications.

I want to congratulate the Agency for what it has done in this area. There is probably not one person in the Agency more responsible for bringing these justifications in line with what this Committee expects than Mr. Volland, Director of Finance and Administration. We want you to know we appreciate the great amount of time and effort that he has expended. The justifications this year are much better and easier to track. I am sure that is the way it

will be from now on. So once again, thank you for your efforts in this area.

DISASTER COST SHARING

The 1981 HUD—Independent Agencies Appropriation Bill deleted the House-passed limitation of 75 percent for Federal assistance to repair and restore damaged public facilities in the Disaster Relief program. However, report language indicated that the conferees supported FEMA's cost-sharing initiatives and urged that a discretionary cost-sharing policy be continued.

What specific actions has the Agency taken in response to the conference committee language?

Mr. CASEY. We continued the 75–25 cost-sharing from the beginning until today. We have approved a total of $137 million of public assistance, of which the 75 percent share was $103 million and the State and local share was $34 million.

Mr. BOLAND. Indicate for the record how many disasters that have occurred since last December have reflected a cost-sharing agreement.

[The information follows:]

COST SHARING

Every disaster or emergency declaration involves a cost sharing agreement between the State and Federal governments. Since December, there have been no declarations. Since September of 1980, there have been six declarations involving the 75–25 cost-sharing policy. They are:

Disasters

September 8, 1980—Michigan.
September 25, 1980—Texas.
October 2, 1980—California.
November 27, 1980—Northern Marianas.
November 27, 1980—California.

Emergency

October 19, 1980—New Jersey.

PUBLIC RELATIONS REDUCTION

Mr. BOLAND. Section 418 of the 1981 Appropriation Act directed that amounts in the Act available to conduct advertising or public relations be reduced by ten per centum. The Federal Emergency Management Agency has extensive public relations activities, especially in the U.S. Fire Administration.

What effect has this section of law had upon the Agency's operations?

Mr. VOLLAND. Mr. Chairman, the Act was a little vague with respect to the definition of public relations activities. The Agency has done an extensive study of the activities and funds that could be construed as devoted to this. We believe that we have identified about $30,000 in savings as a result of the requirement to reduce ten percent.

Mr. BOLAND. What is the total dollar amount carried in the 1981 budget and in the 1982 budget for advertising or public relations activities?

Mr. VOLLAND. Approximately $300,000, sir, which we identified as being for public relations work or advertising kinds of activities.

The distinction between what constitutes public relations and legitimate public information kinds of activities of the organization are not very easily identifiable, and we have tried to be reasonably accurate about it.

Mr. BOLAND. So you say it is about a ten percent saving.

Section 412 of the Act directed a two percent reduction in budget authority provided in the Act for payments not required by law. The total reduction that the Federal Emergency Management Agency received, as directed by the Office of Management and Budget, was $24,378,000. This equals two percent of the total appropriations provided in the Act for FEMA. Section 412 provided the Administration with flexibility to reduce certain accounts up to three percent, and to leave other accounts unchanged.

Did FEMA have any determination in the application of the two percent reduction?

Mr. VOLLAND. Yes, sir, FEMA was consulted, with respect to the application for the reduction, although we did not have a completely free hand.

Mr. BOLAND. Was it a two percent reduction across the board?

Mr. VOLLAND. No, sir, it was not—as the Act required, it was two percent total, but not a straight two percent reduction in all activities.

Mr. BOLAND. What is the Agency's total 1981 pay supplemental cost?

Mr. VOLLAND. The total pay supplemental is $1,495,000; $642,000 of it in the Emergency Planning, Preparedness, and Mobilization appropriation; $853,000 in the Hazard Mitigation and Disaster Assistance appropriation.

Mr. BOLAND. What percent of the total requirement has been absorbed?

Mr. VOLLAND. This amounts to approximately 77 percent absorbed, sir.

INSPECTOR GENERAL

Mr. BOLAND. The Inspector General Act of 1978 created statutory Inspectors General for most agencies of the Government that did not have statutory Inspectors General at that time. However, FEMA was not one of the agencies addressed by the 1978 Act, and the Agency does have an Inspector General. FEMA's Inspector General does not have the separate statutory authority and protection that the 1978 Act provides. Should he have that particular protection and authority?

Mr. JETT. As you know we were not mentioned in the Inspector General Act. The previous Director of the Agency considered the initiative of recommending that the FEMA Inspector General be made a legislative Inspector General, but that recommendation to the best of my knowledge did not go forward.

Mr. BOLAND. I suppose when you consider the amount of money that the Agency spends, particularly in the Disaster Relief and Flood Insurance programs, the FEMA Inspector General should have the statutory authority given to many Inspectors General. I think we would all agree with that.

Mr. GALLAGHER. Yes, sir.

Mr. BOLAND. This Committee may restructure FEMA's appropriation accounts in the 1982 bill. This possibility has been discussed

with FEMA officials, and I understand the 1982 justifications were prepared with this in mind in order to permit an orderly transition.

For the record, provide the 1982 total of all program staff and related expenses which would logically be included in a salary and expense type of account.

[The information follows:]

FISCAL YEAR 1982 PROGRAM STAFF

The fiscal year 1982 total of all program staff and related expenses which would logically be included in a salary and expense-type account is $83,369,000. This figure is derived from the Program Staff line item of the activities in the justification book, and includes personnel compensation and benefits, travel, and other administrative costs.

Mr. BOLAND. Do other members have any general questions?

Mr. GREEN. Congressman Lewis asked me to submit a question for the record.

Mr. BOLAND. Fine.

[The information follows:]

Question. In early February, 1980, Riverside County in my Congressional District experienced devastating floods. The initial FEMA reponse was prompt and, over the past year, most public entities in the County have successfully resolved their problems and received reimbursement for the damages suffered. However, the Coachella Valley Water District, which is responsible for maintaining many of the flood control channels in the affected area, has not yet received approval for over half the amount of reimbursement requested on the District's original Damage Survey Reports. The Water District originally submitted DSR's in the amount of $3,831,854. To date, after three appeals, they have received approval for a total of $1,836,502. The Water District has now appealed for the fourth time, seeking approval of the remaining $1,995,352. For the record, would you please advise when you believe this question will be finally resolved and, if possible, provide some estimate on the final amount which the Coachella Valley Water District may expect to receive.

Answer. FEMA funding totalling $1,836,502 has been approved to date, as shown by FEMA records, with the remaining balance considered to be ineligible. Based upon contact with the FEMA Regional staff, a formal appeal for reconsideration of the ineligible work has not been received by that office. However, discussions with the applicant relative to such action have taken place and District officials are well aware of the FEMA procedures for appeals. Until a formal appeal, providing new information or evidence has been received and processed, it is not possible to provide an estimate of any additional work that may be found eligible.

CUBAN INFLUX

Mr. YOUNG. I would like to make a statement for the record.

I would like to compliment FEMA last year when we had so many Cubans coming into Florida in a situation that was next to impossible. I think they did a darn good job, and bureaucrats and agencies of the Government do not get patted on the back often enough, and I think they deserve it for this.

Mr. BOLAND. Would anybody else like to applaud them?

Mrs. BOGGS. I certainly would, because they have had many difficulties obviously in the area from which I come. Having so many terrible disasters thrown at them in their initial stages of operation when they were trying to pull together for cohesive administration was particularly difficult. It was a remarkable accomplishment on their part, that they were able to establish themselves as a new Federal agency during a difficult period.

Mr. BOLAND. Mr. Coughlin.

Mr. COUGHLIN. No questions, Mr. Chairman.

Mr. BOLAND. Mr. Traxler.

RADIOLOGICAL EMERGENCY PREPAREDNESS

Mr. TRAXLER. The concern I have relates to your interfacing with regulating agencies and responding to accidents at nuclear plants. This is of concern to me. Not in the too distant future we should have a new plant coming on line in my State. I am concerned about the potential for delays in approving emergency response plans. We have several different levels of government operating here, including FEMA, the Nuclear Regulatory Commission, and State and local governments. Candidly, how well is this all working out in getting plans approved?

Mr. MCCONNELL. Mr. Traxler, it is not without difficulty, sir, particularly because of the States' options in being able to manage their program as they see fit and the local governments' response to the requirements that we have established as standards for off-site preparedness. I think we can clearly separate the onsite preparedness, which is the responsibility of NRC in working with the utility, and with FEMA leading the effort for off-site preparedness with States and local governments. It is not without difficulty and a time-consuming, arduous effort to prepare an effective response plan of the nature that was determined jointly by NRC and FEMA to be necessary after the TMI incident.

We are, however, progressing with deliberate speed and we are keeping abreast of the licensing schedule anticipated by NRC to attempt to keep up with their requirements to be able to assess the preparedness at the time they consider licensing.

I might add, however, that FEMA did not feel obligated to abrogate our responsibilities for effective emergency preparedness for the public surrounding those plants just because of a time schedule provided for in the licensing process.

Mr. TRAXLER. That time schedule is the NRC timeframe?

Mr. MCCONNELL. A combination of the NRC timeframe and the construction and modifications of the plant as they prepare to come on line.

Mr. TRAXLER. When do you anticipate you are going to approve the State plans in New Jersey so the Salem 2 plant can come on line?

Mr. MCCONNELL. I am aware of a schedule that has been carefully worked out between the utility, NRC, and both the States of New Jersey and Delaware. To the best of my memory, and I will correct this for the record——

Mr. TRAXLER. Please.

Mr. MCCONNELL. I believe it is the 8th of April when the exercise to test the plans for both States is scheduled. Soon after, within two weeks FEMA will be able to render a finding and determination to NRC as to the condition of those preparedness measures.

Mr. TRAXLER. I will have several questions for you that you may answer for the record, but let me ask you here and now, do you believe the funds you have requested are adequate to do the job in a timely fashion so as not to create any unnecessary delays in the licensing? Do you have enough people to do this job in a timely manner?

Mr. McCONNELL. For the current fiscal year, the answer would have to be no. We are cutting and pasting to accommodate a situation where there was no appropriation to FEMA for this work. The mission was established in December of 1979, after the fiscal year 1981 budget request had been submitted. The Director apparently did not find it necessary or appropriate to request a supplemental or modification to the fiscal year 1981 budget that was pending, and had hoped for reprogramming to accommodate some of the requirements.

We did, however, receive an amount of approximately $2.6 million and eight personnel spaces from NRC in a determination order transfer to pick up functions that they had previously performed and budgeted for by the NRC. This was no-year money and is the appropriation for the Radiological Preparedness program for FEMA this year.

Mr. TRAXLER. How does it look for the fiscal year 1982 budget?

Mr. McCONNELL. At a $4.3 million figure it may be adequate.

Mr. TRAXLER. You may expand on that for the record, if you please.

[The information follows:]

RADIOLOGICAL EMERGENCY PREPAREDNESS

I appreciate the opportunity to expand on my comments regarding FEMA's radiological emergency preparedness program. FEMA's reponse in this area is dictated by the NRC licensing schedules for nuclear power plants, as well as the schedule for plan implementation at operating facilities. In addition to the commercial nuclear power plant responsibilities, FEMA is also charged with off-site planning and preparedness for other fixed nuclear facilities, that is, Department of Defense missile sites, weapons storage facilities, Department of Energy reactors and NRC licensed materials. Finally, FEMA's planning must also address accidents which may result from transportation of nuclear materials. The fiscal year 1982 budget submission will provide the basis to respond to all these areas. I am concerned, however, that the level of response will not be entirely sufficient to meet the recent accelerated schedule imposed upon us by the NRC for nuclear commercial power plants. The increased level of activity was recognized by FEMA in January of this year and has resulted in a request to OMB for an additional 40 positions at the Regional and Headquarters levels for radiological emergency preparedness. If those billets are not forthcoming, I foresee some difficulty within FEMA to meet all its radiological preparedness responsibilities in a timely fashion. I would also note that other Federal agencies are experiencing shortfalls in personnel and travel funds to meet their responsibilities in support of off-site radiological emergency preparedness assistance to State and local jurisdictions.

Mr. TRAXLER. I have some additional questions to be answered for the record.

[The questions and answers follow:]

Question. In my State of Michigan, last year you approved the emergency response plans for two nuclear facilities—the plan for the Big Rock plant was approved in June and the plan for the Palisades plant was approved by FEMA in December. Neither of the plans, however, have yet been approved by NRC.

What mechanisms exist between the NRC and FEMA to coordinate the reviews so as to prevent any potential delays in final approval?

Answer. Your information on FEMA approval of plans related to the Big Rock and Palisades plants is inaccurate. Significant progress has been made in the review and aproval process in both instances. This activity has taken place between the State and the FEMA Regional office. Plan approval is done by the Associate Director for Plans and Preparedness, FEMA Headquarters. We expect to receive the FEMA Regional office evaluation in April, after which the staff will need about 30 days to make its recommendations on approval to the Associate Director.

There is a close working relationship between NRC and FEMA. The responsibilities for emergency planning and preparedness around nuclear power plants are spelled out in a Memorandum of Understanding. To carry out the provisions of this

MOU, we have a joint Steering Committee that meets about every 30 days and the respective staffs are in daily contact. NRC furnishes schedules of its projected licensing actions and requests for findings and determinations on off-site emergency preparedness. FEMA responds to these requests either as part of its formal review and approval process, or outside this process if NRC schedules require it. FEMA has encouraged the States to develop their plans so as to meet the NRC licensing schedules, but we have no authority to require the States to prepare these plans, much less on a prescribed schedule.

Question. For the record, would you please indicate the dates by which you expect your review of State and local emergency plans will be completed for those plants that will be seeking an operating license from the NRC in 1981 and 1982. Would you also compare your estimates with the NRC's latest estimates as to when they will be issuing full power operating licenses. In any case, where the FEMA review looks like it will delay the issuance of the license, would you indicate what actions you believe are necessary to eliminate the delay.

Answer. On March 10, NRC furnished us a list of 28 pending license applications for 1981 and 1982. These are listed below. The list is substantially different from a list furnished last fall. Directly to the right of each entry is the date NRC requires a finding and determination to proceed with the licensing process. Upon request, FEMA will provide an interim finding on or before this date. While this is not the projected licensing date, it does have a direct relationship. The column on the extreme right lists probable dates of completion of findings and final determinations by FEMA.

Facility	NRC date	FEMA completion date
Farley 2	Mar. 11, 1981	Complete.
McGuire 1-2	Mar. 13, 1981	Complete (interim).
Sequoyah 2	Apr. 1, 1981	Apr. 1, 1981.
Salem 2	Apr. 24, 1981	June, 30 1981.
Diablo Canyon 1-2	May 1, 1981	Nov. 30, 1981.
LaSalle 1-2	May, 8,1981	Apr. 30, 1981.
Summer 1	May 30,1981	June 30, 1981.
San Onofre 2-3	June 1, 1981	Sept. 15, 1981.
Susquehanna 1-2	Aug. 30, 1981	Jan. 30, 1982.
Zimmer	Sept. 15, 1981	Sept. 15, 1981.
Fermi 2	November 1981	November 1981.
Grand Gulf	November 1981	December 1981.
Callaway	November 1981	November 1981.
St. Lucie 2	November 1981	November 1981.
Commanche Peak	December 1981	December 1981.
Shoreham	December 1981	February 1982.
Watts Bar	December 1981	February 1982.
Palo Verde 1-2-3	January 1982	January 1982.
Clinton	January 1982	January 1982.
Wolf Creek	February 1982	February 1982.
Byron	February 1982	February 1982.
Waterford	March 1982	September 1981.
Perry	March 1982	December 1982.
Midland	May 1982	May 1982.
Catawba	June 1982	April 1985.
WNP 2	June 1982	June 1982.
So. Texas	July 1982	July 1982.
River Bend	August 1982	August 1982.

Some of the apparent delays will be alleviated when the Regions reorient their priorities. The only other thing which would substantially reduce delays would be the diversion of staff from other key program areas to assist the States in plan development, review final plans, evaluate exercises, etc. Such an action must be based on a policy decision on relative priorities of all FEMA programs.

Question. Could you tell me what factors you think contribute to delays in FEMA review and approval of State and local emergency response plans around nuclear plants? What actions could you—and maybe other Federal agencies—take to eliminate such delays?

Answer. Review and approvals by FEMA are constrained at four basic points. First, the actual development by the involved government; second, the availability of specialists from FEMA and other agencies to review these plans; third, the

scheduling of an exercise at a time agreeable to the State/local governments and the utility; and fourth, the availability of Federal observers to evaluate the exercise in the context of the plans. The first problem is basically FEMA independent, since the States and locals must spread limited resources among many projects. However, more flexibility of Federally-controlled (contract) staff could accelerate this plan development.

The second and fourth problems each relate to insufficient manpower both in FEMA and other agencies to do the job in a timely fashion. More priority must be given to REP across the board if time contraints are to be met. The third problem will probably not be severe if the others are cured.

Question. In your June 1980 report to the President on *State Emergency Planning In support of Commercial Nuclear Power Plants* you reported funding problems—especially when faced with short-term deadlines—may prevent full preparedness by State and local governments.

Could you provide for the record a breakdown of your various emergency planning activities and indicate how you allocate funds and manpower between these activities.

Answer. FEMA has six subprograms within the Radiological Emergency Preparedness (REP) program which deal with:

a. Commercial nuclear power, State and local preparedness
b. National plans for all nuclear facilities
c. Fixed facilities other than commercial power, State and local preparedness
d. Nuclear weapons accidents
e. Transportation accidents, State and local preparedness
f. Program support for REP

At present, the principal emphasis is on items (a) and (b) and on development of plans and exercises for item (d). The program support includes completion of the Atomospheric Release Advisory Capability pilot project and means for approving alerting and notification systems using a public survey instrument.

During fiscal year 1980, the REP program was carried out with a number of resources which included personnel on detail and 850K of direct program support from NRC; $1.9 million appropriated for REP in the fiscal year 1980 supplemental for FEMA; some 25 person-years of FEMA Regional effort; about 42 person-years of State contract planners diverted from Crisis Relocation Planning and some 10 person-years of Federal agency support for the Regional Assistance Committees. At the Headquarters level, 90 percent of expended staff time was devoted to planning for commercial nuclear power.

During fiscal years 1981 and 1982, the commercial nuclear power program will peak and more emphasis will be placed on the other programs. FEMA has formally requested $4,260,000 for the fiscal year 1982 REP program. FEMA has also requested consideration of additional personnel at Headquarters and in the Regions which could, if authorized, increase the fiscal year 1982 requirements to $5,500,000.

Question. Could you provide for the record a breakdown of your various Emergency Planning Activities and indicate how you allocate funds and manpower between these activities?

Answer. The overall planning efforts of Plans and Preparedness include attention to Mobilization, Continuity of Government, Nuclear Civil Protection, Radiological Emergency Preparedness, State and Local Operations, Resources Management, Technological Hazards, Hurricane, Earthquake and other disaster caused contingencies.

Some of this planning is primarily Federal, while some involves a cooperative Federal-Sate relationship. This affects the nature and type of resources and manpower needed. Within Plans and Preparedness, we have prioritized our efforts to be consistent with agency emphasis on Mobilization, Continuity of Government, Civil Defense and Radiological Emergency Preparedness. We are governed by the resources available to the Agency as determined both by administrative and legislative funding and manpower ceilings.

The net result of all of these factors determines the proportion of manpower and funds allocated to each effort, at Headquarters and Regional level, for outside contracting, and for financial support to State and local efforts.

As a final point, these same factors plus assessment of goals, status and deficiencies and performance evaluations, determine the allocations of FEMA resources among planning efforts, operational systems development, and supporting activities that collectively produce preparedness, response and recovery capability, or comprehensive emergency preparedness.

Question. In your Report to the President, you indicated that some FEMA Regional Assistance Committees have not been living up to the full assistance role that was anticipated. Has this situation been corrected? What is being done?

Answer. This situation still persists. FEMA continues to work with the agencies represented on the Regional Assistance Committees (RACs) to find ways to increase their support. In two instances, Washington offices have assumed Regional responsibilities. In another, the use of contractor people is being considered. Attempts to budget for the activity have not met with success, although, in some instances, modest amounts from existing programs have been made available for travel of RAC members. FEMA believes that the Federal agency commitment to RAC activities is less than required by the new NRC emphasis on licensing, and in fact, is less than foreseen at the time of the Report to the President in June 1980. FEMA plans to ask for Administration assistance in assuring an effective level of RAC support in fiscal year 1981 and fiscal year 1982 until the budget process can resolve the matter in the fiscal year 1983 submission.

Question. Could you tell me how much grant money in fiscal year 1981 and fiscal year 1982 you expect to give to State and local governments to assist then in the development of emergency response plans around nuclear power plants?

Answer. FEMA has no plans for a direct grant program to assist State and local governments in the development of emergency response plans around nuclear plants. This is in accord with the statement of the House Appropriations Committee Report (96–1086) dated June 11, 1980, which said, "The Committee believes that State and local governments should bear the principal responsibility in developing emergency plans."

In FEMA's budget request to OMB for fiscal year 1982, we do request $500,000 for technology-related demonstration projects involving computer modeling of evacuation, development of upgraded emergency operating centers to include advanced assessment capability or other demonstration projects useful to examine institutional interfaces involved in applying new concepts and technology. Only a small number of States would be beneficiaries of this $500,000.

Question. How much of this money do you expect to go directly to local governments?

Answer. See response to previous question.

Question. What other mechanisms are you exploring to expedite State and local compliance with the NRC/FEMA criteria?

Answer. The principal mechanisms upon which FEMA relies is the stated need in the NRC Rule 10 CFR Part 50.47 which makes the status of State and local emergency response plans a licensing condition for operation of the facility.

"(a)(1) No operating license for a nuclear power reactor will be issued unless a finding is made by NRC that the state of onsite and offsite emergency preparedness provides reasonable assurance that adequate protective measures can be taken in the event of a radiological emergency."

The same NRC Rule also adopts the planning standards in NUREG–0654/FEMA–REP–1 published jointly by NRC and FEMA. This document states at page 25:

"The nuclear industry may have an incentive based on its own self interest as well as its responsibility to provide electric power, to assist in providing manpower, items of equipment or other resources that the State and local governments may need but are themselves unable to provide."

Through its Regional Assistance Committees, FEMA maintains continuous liaison with State and local governments to assure that when plans are submitted, they will conform to the NRC/FEMA criteria. Many States and local governments are being directly assisted by utilities in the development of plans and with preparedness improvement in the form of equipment and communications linkage.

FEMA is not aware of any other timely mechanism which will produce a prompt assurance of the public health and safety of the public within the time limits imposed by the NRC Rule.

Question. In the case where the development of the State plan is lagging behind the development of local plans, or where the preparation of the State plan is being delayed for whatever reason, is FEMA working directly with the local governments to gain approval of the local emergency response plan so as not to delay the startup of a nuclear power plant?

Answer. The emergency response plan for the area around a fixed nuclear facility must be an integrated product of State and local governments or it will probably be ineffective. Therefore, when FEMA works with a local government, it must be in the context of a State overall plan. A local plan cannot be approved in isolation. The only possible exception to this logic is in the event that NRC requests a finding and determination under the NRC/FEMA Memorandum of Understanding and local plans already exist independent of a State plan. Even in this case, the overall preparedness would be evaluated based on the relative impact of all the various contributing plans.

Question. Since you are charged with the responsibility of developing and reviewing both State and local response plans, how do you coordinate the preparation of local emergency plans vis-a-vis the preparation of the State plan?

Answer. Normally the State prepares an overall plan and integrates the local plans into the total effort. In this way the State has the responsibility for insuring the coordination of all local planning efforts within its jurisdiction. FEMA then works jointly with both State and local government in providing guidance and assistance.

Question. Are local emergency plans transmitted to FEMA directly for review or are they channeled through the utility or State government?

Answer. As indicated previously, local plans are channeled through the State and come to FEMA as part of an integrated preparedness package. The exception to this is where the utility obtains a copy of a local plan, forwards it to NRC and the NRC, in turn, asks FEMA for a finding and determination based on available data. A plan so received is not "approved" as such.

Question. Can you improve your role in the coordination and preparation of local plans? How?

Answer. FEMA's role in the preparation of local plans is one of assistance and review in coordination with the State. The principal way these efforts could be improved is to allow a better ratio of FEMA (and other agency) specialists to the number of localities requiring assistance in the development of plans. As it stands now, on the order of 400–500 localities need plans and only 28 manyears per year are available in all the FEMA Regions. In other agencies, the available manpower is substantially less than one manyear/per year/per Region. This level of staffing can barely react to the problem, much less constructively coordinate it.

Question. The program staff for the Radiological Defense Element is increasing in the 1981 current estimate to $1,163,000 from $557,000 reflected in the 1981 budget estimate. Page 115 indicates this is an internal adjustment and does not reflect an increase in staffing or budget.

Where have these positions been included in the 1981 budget estimate?

Answer. In the fiscal year 1981 justification all regional positions associated with Civil Defense programs were shown under Program Staff in the State and Local Civil Protection and Planning Assistance program.

Under the new budget structure, the regional positions were distributed to various program areas. The number of regional positions assigned to Radiological Defense program was 13. The Reagan budget decision reduced this to 10.

The $557,000 shown in fiscal year 1981 budget justification was increased by the pay raise for October 1980 and adjusted by the President's March 1981 reduction to a final total of $572,000.

Question. How many positions and work years does the $606,000 increase represent?

Answer. With the adjustments required to the budget estimate of fiscal year 1981, the actual increase for fiscal year 1982 is $591,000. The breakdown is as follows:

10 regional positions plus benefits	$348,000
5 radiological emergency preparedness positions (salaries inadvertently shown in this program—should have been shown on page 141 of fiscal year 1982 budget justification)	[1] 168,000
Associated travel	75,000
Total	591,000

[1] OMB authorized FEMA 5 REP positions above those in the NRC determination order.

AGENCY CONSOLIDATION

Mrs. BOGGS. Mr. Chairman, may I add to that, please? In the efforts to handle the difficulties and the natural disasters, you obviously have had a difficult time in pulling the whole Agency together. I wonder if you could tell us what response you intend to make to the National Emergency Management Association's request to the Agency wherein they proposed a six-point plan to Director Macy for improvements in coordination with the State directors. These include the clear moratorium which has been developed, development of a comprehensive review panel reporting directly to the FEMA Director, initiation of a legislative review

panel to develop legislation, formation of an administrative panel, sponsorship of a funding strategy, and development of a presentation to solicit support from State and local officials. Has there been any response to that?

Mr. GALLAGHER. No, ma'am. And I do not think it appropriate in the interim period that we should do it; we feel it should be done by the people in the new Administration who come in.

Mrs. BOGGS. Do you have any feeling that the national defense has been suffering at the hands of the natural disaster programs?

Mr. GALLAGHER. No, we have not made any decisions. That is a problem we will leave to the new Administration.

Mrs. BOGGS. And speaking of consolidation, have you had any luck in consolidating offices in the D.C. area?

Mr. GALLAGHER. We are now in five to seven areas, depending on how you want to count it. We have not had any real luck. We have had to move out of one of the buildings over in Rosslyn, and we have consolidated the people who were there into another area. We tried to get some space in the old Executive Office Building and were unable to do so. Now we are looking at a building at 18th and G.

It is important that the Agency be in one or at the most two locations. It is an untenable situation we have right now.

Mrs. BOGGS. Thank you, Mr. Chairman.

Mr. BOLAND. I suppose you may have problems with the D.C Government, which would not want you to move out of the area, just like it did not want the FCC to move to Rosslyn. They are going to occupy 14 floors; maybe that space would be available to you.

Mr. GALLAGHER. I think so. We are trying to get closer to the White House because of the disaster situation, in case there is something the President wants to be briefed on in a hurry.

Mr. BOLAND. Mr. Casey carries a walkie-talkie.

Mr. CASEY. That was my problem.

EMERGENCY PLANNING, PREPAREDNESS AND MOBILIZATION

Mr. BOLAND. Turn to the summary page for Emergency Planning, Preparedness, and Mobilization, on page eight of the justifications. The 1982 total request is $183,277,000, an increase of $21,694,000 above the current 1981 estimate. The entry of $2,619,000 transfer from the Nuclear Regulatory Commission appears in the "Changes From Original Fiscal Year 1981 Estimates."

What exactly does this represent? The Appendix to the President's Budget does not list this transfer under the Nuclear Regulatory Commission. Do you know why not? Has the transfer actually occurred?

Mr. VOLLAND. Yes, but it did not occur until after the Appendix to the President's Budget had been printed. It occurred in January.

Mr. BOLAND. On page 11, the amount requested for printing and reproduction in 1982 is $1,939,000. This is significantly above the 1981 current estimate of $1,418,000.

What accounts for this significant increase?

You may supply that for the record.

[The information follows:]

Increases for printing and reproduction in the Emergency Planning, Preparedness, and Mobilization Appropriation

Printing and reproduction:	
Fiscal year 1981	$1,418,000
Fiscal year 1982	1,939,000
INCR	+521,000
1. Federal preparedness: Radiological emergency preparedness	+34,000
Distribution of plans around commercial nuclear power stations, installations of Department of Defense and Department of Energy, NRC licensed nonpower related facilities (reactors and materials licensees).	
2. State and local preparedness: Nuclear attack civil preparedness	+400,000
Distribution of emergency instructions to the public in risk and host areas. Instructions must include where, what, when, who and how for risk and host areas. Pilot projects conducted during fiscal year 1981 have indicated the feasibility and desirability of such an approach. (Was not included in fiscal year 1981)	
3. Training and education	+87,000
Training and education increase of $87,000 over fiscal year 1981 will fund, in addition to reprinting and reproducing ongoing training materials, materials in support of new COG program, new hazard mitigation home study course and initial increment for crisis prepositioning of shelter management and citizen training materials.	

EQUIPMENT

Mr. BOLAND. Why have equipment costs increased $688,000, from $2,317,000 in the 1981 current estimate, to $3,005,000 in the 1982 budget estimate?

You may supply that information for the record.

[The information follows:]

Increase for equipment in the Emergency Planning, Preparedness, and Mobilization Appropriation

Equipment—State and Local Preparedness:	
Fiscal year 1981	$2,317,000
Fiscal year 1982	3,005,000
INCR	+688,000

Will provide RADEF measuring type devices, equipment for developing a concept of operations, special exposure limits and preparedness standards to provide guidance, equipment and training required for post-attack operations for Radiological Defense.

Will provide funds to procure electromagnetic pulse protection (EMP) equipment to protect 28 new stations and replace obsolete equipment in stations already protected.

FEDERAL PREPAREDNESS

Mr. BOLAND. "Lands and structures" has increased from $571,000 in 1981 to $1,500,000 in 1982. What are these funds for?

Mr. VOLLAND. The increase there is associated with the Federal Preparedness activity and involves anticipated activity in the continuity of government program.

Mr. BOLAND. We will turn to the Federal Preparedness program on page 14. The tabular summary indicates the total request in 1982 of $19,431,000, an increase of $11,646,000 above the 1981 current estimate. The legend on page 15 addresses the $2,199,000 increase in the 1981 current plan. Explain the $2,065,000 transfer from Plans and Preparedness.

Mr. VOLLAND. The format of the table in the justification is set up to indicate the way we intend to execute the budget in fiscal year 1982. The transfer relates both to the staff and program

activities as they were reflected in the 1981 submission that came to the Committee. We have prepared a very extensive crosswalk and I can provide the breakdown for each of those but I do not have the material in front of me.

Mr. BOLAND. You may supply that for the record.

[The information follows:]

[CLERK'S NOTE.—The committee received the crosswalk, which appears on page 488.]

RESOURCE PREPAREDNESS

Mr. BOLAND. The Resource Preparedness activity is described on page 17. The 1982 plan of $4,491,000 nearly doubles the 1981 budget for this activity. The first paragraph indicates: "A major effort in this program is the development and analysis of Federal Mobilization Master Plan (MOB MAP). I realize this issue is of a classified nature, but is there anything you can explain to us in an open hearing?

Mr. MCCONNELL. Only that this is an upgrading of the mobilization capability of the Nation, engineered by an interagency group, focalized around the National Security Council and with substantial responsibilities by FEMA. I believe your staff was briefed on this yesterday.

Mr. BOLAND. Paragraph D indicates that funds will be used for staffing key positions in the Economic Stabilization Agency.

What exactly is this agency?

Mr. MCCONNELL. This is a stand-by agency which would inherit the responsibilities of the economic stabilization of the government.

Mr. BOLAND. How long has it been in existence?

Mr. MCCONNELL. Since World War II.

Mr. BOLAND. How many positions are in that Agency?

Mr. MCCONNELL. I believe there are two in that Agency.

Mr. BOLAND. Page 18 addresses a $100,000 item in the State and Local Preparedness activity. These funds were appropriated in 1965, and have remained unused since then. Finally, in 1982, FEMA is proposing to use these funds "to assess public attitudes toward resource mobilization."

Why shouldn't the Committee rescind these funds? If it took 17 years to decide to use these funds to assess public attitudes, is the requirement really valid?

Mr. VOLLAND. As to the validity, I defer to Mr. McConnell. As to the rescission, nobody took any action to rescind them prior to FEMA. We promised you last year we would use them this year. We are proposing to do exactly that.

Mr. MCCONNELL. Mr. Chairman, I would like to correct the record. I am certain this is not a survey of public attitudes. It is possible this was either a misprint or something included prior to the actual expenditure of the funds. The contract was activated only a few days ago, and I am certain it is not for that purpose.

Mr. BOLAND. Find out what the $100,000 is used for and submit that information for the record.

[The information follows:]

STATE AND LOCAL PREPAREDNESS ACTIVITIES

Up to this point, the National Security Council's Mobilization Planning Study has focused largely on codification of representative scenarios and of key government mobilization-preparedness and mobilization-execution activities. Meaningful assessment of the actual mobilization capability inherent in such activities is now critically dependent on the development of an evaluative framework which both takes account of the dynamics of mobilization within the framework of the overall U.S. strategic posture, and takes account of the degree of national understanding and acceptance of such a framework. The proposed contract in question accordingly provides for an initial conceptualization and assessment of the place of national mobilization, and of its accepatance, within the framework of overall U.S. national-security strategy and posture.

Mr. BOLAND. Have you entered into negotiation under the contract?

Mr. MCCONNELL. Yes, sir. It has been obligated.

Mr. BOLAND. Page 20 contains the tabular summary of the continuity of government program. Regional positions devoted to the program increase from nine in the 1981 budget estimate to 29 in the 1981 current estimate.

Does this actually represent an increase in positions devoted to the program, or is it merely due to the restructuring?

Mr. VOLLAND. Merely due to restructuring.

Mr. BOLAND. Page 23, under "Program Staff" describes four positions for the Joint Program Office.

Explain the purpose and operation of the Joint Program Office.

Mr. MCCONNELL. Mr. Chairman, the Joint Program Office is an office that was set up under the classified study associated with continuity of government improvements. It is chaired by a representative of the Defense Department which provides most of the members. FEMA provides four representative members on the group.

Mrs. BOGGS. Mr. Chairman, the title includes four positions under "Presidential requirements." What does that mean?

Mr. MCCONNELL. The continuity of government program includes the President—the continuity of the Presidency is a part.

POLICY DEVELOPMENT

Mr. BOLAND. Turn to Policy Development, on page 25. This program increases from $2,065,000 in 1981 to a requested $2,905,000 in 1982. No FEMA staff is devoted to the program: it is accomplished entirely with contract assistance.

Exactly why do you need an additional $840,000 for this activity in 1982?

Mr. MCCONNELL. The increase, Mr. Chairman, is primarily to enhance the capability to improve the civil defense structure of the Nation in a crisis period, in contrast to the slow development which is being undertaken by this level of budgeting.

Mr. BOLAND. Provide us with the names of some of the contractors.

Mr. MCCONNELL. I will have to supply some for the record, sir.

Mr. BOLAND. Also, the amounts that were devoted to these contractors in the 1981 budget.

[The information follows:]

FISCAL YEAR 1981 POLICY DEVELOPMENT CONTRACTS AWARDED

As of March 24, 1981, the following contractors were awarded contracts under the Policy Development line item for fiscal year 1981:

1. Georgia Coastal Area Planning and Development Commission, Brunswick, Ga	$29,000
2. Computer Sciences Corp., Falls Church, Va	289,000
3. New York Telephone Co., New York, N.Y.	1,213
4. American Telephone & Telegraph, Washington, D.C.	1,000
5. Rehab Group Inc., Falls Church, Va	25,000
6. State of North Carolina, Raleigh, N.C	65,000
7. Analytical Sciences Corp., Reading, Mass	95,000

In addition to the above, requests for proposals have been requested (i.e., competitive bids) for the following activities but a contractor has not, as yet been selected:

(1) Analysis of national food distribution systems and development of prototype plan for inclusion in State-level Crisis Relocation Plans	$145,000
(2) Develop prototype crisis relocation TV tape, containing emergency public information materials for Plattsburg, N.Y.	105,000
(3) Pilot test emergency public information materials in telephone directories of several counterforce risk areas	15,000

EARTHQUAKE ACTIVITIES

Mr. BOLAND. Page 26 indicates that part of the 1982 moneys will be used for Comprehensive Emergency Management.

How much of this activity is devoted to earthquake research? You may supply that for the record.

Mr. VOLLAND. None of that, sir.

[The information follows:]

POLICY DEVELOPMENT COMPREHENSIVE EMERGENCY MANAGEMENT

Resources of Federal, State and local government, and the private sector have been focused intensively on the State of California and the potential effects of a major earthquake. The efforts are beginning to materialize in the form of contingency plans addressing specific mitigation, preparedness, response, and recovery aspects of planning. The fact that a major earthquake in California poses problems of unique dimensions and impact, that it involves a grave threat to life and property, has led to the development of approaches in planning that seem to advance the State of the Art of emergency management in such specific categories as: vulnerability analysis and risk assessment; evacuation; temporary housing; emergency medical and mortuary services; long range recovery, including economic recovery.

The development of these knowledges, techniques, processes, and systems should very clearly be synthesized and expanded for their application to other earthquake-prone areas of the country whose planning initiatives are in a less highly developed state. The New Madrid fault, for example, which ranges over a seven State area, is only now compiling its loss study data, a necessary first step. Significant savings of time and other resources can be realized by conscious transfer of existing knowledge. For example, a methodology on developing loss estimates of housing in a California study has already been transferred. There are, in addition, 19 areas of the country which have been identified by the National Weather Service as prone to hurricanes; some of the same systems developed in California can be transferred to these maxi-disaster areas. Finally, the series of individual studies, such as temporary housing supporting the work of earthquake preparedness planning will undoubtedly have application to the general area of dual-use contingency planning.

Mr. BOLAND. I notice the legend under paragraph three on page 26 indicates that funds will be used to: "design an integrated synthesized system for the best elements of each plan for responding to a catastrophic earthquake." So, are any of the funds here devoted to earthquake research?

Mr. MCCONNELL. Yes, sir, there are in that account.

Mr. BOLAND. I asked you if there were.

Mr. McCONNELL. There is a proposal which synthesizes experiences in the California earthquake planning for use in other areas of the country.

Mr. BOLAND. One of the problems we have is to ascertain how many resources are devoted to earthquake research nationwide. Earthquake research is conducted in other parts of this budget as well as other departments and agencies of the Federal Government.

Mr. THIEL. There are no earthquake research funds in the FEMA budget. The funds proposed are for application, preparedness planning and improving and State and local building codes. If you would like the total figures for the entire National Earthquake Hazard Reduction program, including all the agencies, we can give that to you.

Mr. BOLAND. Please provide that information for the record.

[The information follows:]

Natural Hazards Research (earthquakes)

[Fiscal year 1982 budget request—President Reagan—total figures for the entire earthquake program]

Agency:	*Amount*[1]
Federal Emergency Management Agency	$5,300,000
U.S. Geological Survey	34,425,000
National Science Foundation	27,150,000
National Bureau of Standards	425,000
Total	67,300,000

[1] Requested for fiscal year 1982.

TESTS AND EXERCISES

Mr. BOLAND. Turn to page 31, the Tests and Exercises activity. The 1982 request of $328,000 is $133,000 below the 1981 amount. The 1982 activity includes the plan and execution of one national/regional joint civil/military nuclear attack exercise and the plan and execution of one national/regional joint civil/military mobilization exercise.

Briefly indicate the agencies involved and the purposes of these two tests.

Mr. McCONNELL. Roughly 20 agencies are involved in each of the exercises.

Mr. BOLAND. Do these other agencies help defray the cost?

Mr. McCONNELL. They fund themselves and their own participation. The one regional exercise is scheduled for California, and most of the participants will be Federal agency representatives from that area.

Mr. BOLAND. What is the purpose of the test?

Mr. McCONNELL. To exercise from a regional standpoint, the effect of activities in the absence of Federal direction from the national level.

MITIGATION AND RESEARCH

Mr. BOLAND. We will turn to "Mitigation and Research," on page 38. The 1982 request is $12,854,000, an increase of $3,809,000 above the 1981 current estimate. That is correct, is it not?

Mr. VOLLAND. Yes, sir.

Mr. BOLAND. I have several questions to be inserted in the record at this point.

[The questions and answers follow:]

Question. What part of the $12.9 million in 1982 would be devoted to research using computer models?

Answer. The total amount of fiscal year 1982 National Security funds that is allocated to projects that will utilize computer models as part of the planned effort is $2.7 million.

Approximately 50 percent of the $128 thousand budgeted for Systems Analysis & Integration is allocated to programs that will utilize computer models as part of the planned effort.

We do not anticipate the use of computer models in any other areas of the Mitigation & Research program.

Question. On Page 40 under the description of the activities, the following statement appears—"Assessing and evaluating the mitigation and research activities of other Federal agencies, identifying gaps or overlaps, making recommendations to the agencies, or taking necessary actions to meet identified high priority needs . . ." By what authority does FEMA take action to meet these needs or make recommendations to the agencies involved?

What degree of cooperation has FEMA received in this area?

Answer. In the Earthquake Hazards Reduction Act, (Public Law 95-124), specifically Section 5, this authority is given to the President. The President, in turn, has delegated such authority to the Director of FEMA by Executive Order 12148, July 20, 1979, specifically Section 1-104.

The degree of cooperation received by FEMA in this area has been very good, as exemplified by the participation of 17 Federal agencies in the Interagency Committee on Seismic Safety in Construction.

Mr. BOLAND. Page 42 contains the justification for Natural Hazards Research. The 1982 plan is $5,095,000, reflecting a five-fold increase above the $1,052,000 devoted to this area in 1981. Nearly all the increase is requested for the earthquake hazards activity, which increases to $4.3 million in fiscal year 1982.

Why is the program so heavily weighted toward earthquake hazards?

EARTHQUAKE HAZARDS

Mr. CRAWFORD. This reflects the evolution of the program from planning stages in the Office of Science and Technology, to putting the pieces together where you get to a full-scale, central operation with FEMA in a lead role in the program. The amounts suggested for fiscal year 1982 are for various activities related to local preparedness planning, for the preparation of national standards, and for the test of design standards that have been developed to this point.

It reflects the coming to fruition of the program from the planning stage to the operational stage.

Mr. BOLAND. The table on this page indicates projected building damage in the year 2000 due to various types of hazards. The losses expected from earthquakes are less than losses expected from tornado, hurricane wind, riverine flood, or storm surge. Why shouldn't the research effort reflect these estimates rather than be so heavily weighted toward earthquakes?

Mr. CRAWFORD. I would like to respond generally to that question. Although earthquakes do not come with much frequency, when they do come, they come in a very, very substantial way. For example, the study done in connection with the National Security Council in California this past year indicated that the catastrophic quake that could occur in California could result in the range of 20,000-plus fatalities, and perhaps $20-$50 billion or more in

damage. So although they come with somewhat less frequency, they are very, very severe when a major earthquake occurs.

Mr. THIEL. As Mr. Crawford indicated, a catastrophic earthquake is the most probable and credible natural disaster that could occur in the United States, with damage running from $20 billion to $70 billion and life loss from 3,000 to 20,000. I believe we gave you a series of data with respect to annual expected building losses. These are not catastrophic losses, but averaging into one year the occurrence of several hundred years.

We presented this particular data to indicate to you that if we could control through better codes and standards, siting, better building practices, and engineering——

Mr. BOLAND. Haven't we been researching that for some years?

Mr. THIEL. We have in the earthquake area, but not other areas. We believe we can decrease the building damage from tornadoes and hurricanes if we mount a program in these areas. We are undertaking the earthquake program with a national perspective. It is an applications matter, particularly in southern California.

Mr. BOLAND. The dramatic increase in this activity doesn't reflect the thinking of some other committee in the Congress, does it? This reflects your own thinking?

Mr. THIEL. Right, sir.

Mr. BOLAND. The second to the last paragraph on page 42 addresses "approaches which focus on the strengthening of buildings exposed to hazards . . ."

Does the Federal Emergency Management Agency maintain close communication with the National Institute of Building Sciences in this regard?

Mr. THIEL. Yes, sir, this item is performed under the aegis of NIBS. We formed something called the Building Seismic Safety Council. It is incorporated under the legislation for NIBS and is a private sector organization interested in codes and practices pertaining to earthquakes.

FEDERAL INTERAGENCY COMMITTEE ON SEISMIC SAFETY IN CONSTRUCTION

Mr. BOLAND. Page 44 indicates that one of the activities of the National Earthquake Hazards Reduction program for FEMA is to "provide leadership for, chair, and support the Federal Interagency Committee on Seismic Safety in Construction."

What support does FEMA provide in dollars and people?

Mr. THIEL. In the past year we supplied $440,000 to the National Bureau of Standards to provide technical support to me as chairman. FEMA has only myself assigned to that committee, and I chair it. I spend approximately 20 percent of my time on it.

Mr. BOLAND. How many other Federal agencies are involved in this operation?

Mr. THIEL. Seventeen agencies and 150 individuals serving on the ten subcommittees that have been formed.

Mr. BOLAND. Page 45 indicates that in 1982 "continued emphasis will be placed on enhancing Federal, State, and local preparedness to respond to a catastrophic earthquake in southern California . . ."

Do you anticipate the Earthquake Research program will continue at an enhanced level in future years, or is this a one-time surge?

Mr. THIEL. We do not expect substantial changes in the program at this time. In terms of preparedness we expect a surge over a period of two, possibly three years, then a low level maintenance effort to keep those plans germane and appropriate to the latest science and public policy issues in the State.

Mr. GREEN. The earthquake activity is currently focused on southern California, I suppose, but there are other areas.

Mr. THIEL. That is correct.

Mr. GREEN. What plans do you have to take what you know, and apply it to other parts of this country?

Mr. THIEL. We are trying to make this project a first attempt to find a way for the Federal government, State governments, local governments and the private sector to participate as equal partners in preparations for such a catastrophic event. They are also likely to occur in the central United States, southeastern and northeastern United States. We have conducted hazard studies in Utah, California, Alaska, and Hawaii. We have undertaken an initial effort in the New Madrid, Missouri area. We would hope to enhance the effort in the Midwest and undertake efforts in Boston, upstate New York, and South Carolina to augment this. By the end of fiscal year 1982, we plan to have preparedness studies underway in all high-risk areas of the United States, save the territories.

Mrs. BOGGS. Do your activities include work with the Nuclear Regulatory Commission on hazardous sites as far as earthquake difficulties and the construction of nuclear power plants are concerned?

Mr. THIEL. I did not hear the beginning of your question.

Mrs. BOGGS. Does your work and coordination include working with the NRC in the siting of plants and strengthening of existing plants?

Mr. THIEL. For regulated nuclear power plants, no. We were specifically excluded from dealing with those types of programs. Under the Interagency Committee on Seismic Safety in Construction we have a committee looking at the problems of unregulated nuclear facilities to try to ascertain whether the Federal government is discharging its responsibility in siting, design, and construction adequately. That process is underway now.

Mrs. BOGGS. Thank you.

Mr. BOLAND. I have several questions to be answered for the record at this point.

[The questions and answers follow:]

Question. What is the status of the written program plan for the management, research, mitigation, and state assistance elements of the National Earthquake Hazards Reduction Program? (Next to last paragraph, page 45.)

Answer. In response to the mandate contained in the Earthquake Hazards Reduction Act of 1977 (Public Law 95–124), an Implementation Plan covering all aspects of the NEHRP was prepared and submitted to the Congress on June 22, 1978. Agency research programs were reviewed and updated last year based on "Earthquake Prediction and Hazard Mitigation Options for USGS and NSF Programs," (the Newmark Report), that had been prepared in the summer of 1976. A newly revised and integrated plan will be completed by the end of this fiscal year.

Question. National Security Research is addressed beginning on page 48. The total 1982 request is $6,513,000, a decrease of $281,000 from the 1981 current estimate. The last sentence on page 50 states that the increase of $45,000 in the general

national security issues area is due to the "reduction in the fiscal year 1981 estimates".

Exactly what does this statement mean?

Answer. The statement that ". . . The increase of $45 thousand is due to the reduction in the fiscal year 1981 estimates" was in error as explained below.

Funding estimates in certain program areas fluctuate from year to year depending upon the availability of field test opportunities. FEMA participates in Department of Defense field tests on an "as available" basis to evaluate and proof-test shelter designs and to validate laboratory and theoretical results of nuclear weapon effects. Funds are allocated from several program areas for participation in the test. The field tests are generally scheduled either one or two years in advance, which allows for the projected field tests to be included in the budgeting process. Although it had been anticipated that field tests could be held in fiscal year 1982 as they had in fiscal year 1981, the final schedules showed that they could not be held. The funds that had been estimated for field testing in fiscal year 1982 in the Weapons Effects area were then reallocated to other high priority work. This resulted in the $45 thousand increase in General National Security Issues.

SOVIET CIVIL DEFENSE

Mr. BOLAND. Page 50 also indicates that in 1982, FEMA will "continue to evaluate Soviet civil defense . . . [including] the rate of growth of the programs, and the Soviet stockpiling program as it relates to civil defense."

Detail for the Committee where the Soviets' civil defense program stands. You may do that for the record.

[The information follows:]

STATUS OF SOVIET CIVIL DEFENSE

For many years in the Soviet Union, there has been a massive commitment to an effective civil defense program. The Soviet civil defense program is an important element in their overall planning for war fighting, war survival, and war winning. It has the strong support of the Soviet leadership from Leonid Brezhnev on down. As the Chairman of the Joint Chiefs of Staff, General David Jones, has noted, "The Soviet leaders assert that a credible civil defense contributes to deterrence, strategic stability, and the ability of the state to survive."

The Soviet program provides for the protection of leadership elements at all levels, for essential workers, and for the population as a whole. The protection would be accomplished through a combination of blast shelters and detailed plans for the pre-attack evacuation and dispersal of the urban population. In recent years, emphasis is believed to have shifted in the Soviet Union from crisis relocation to the utilization of blast shelters. The Soviets also assign priority to the protection of industry and vital installations essential to their military-economic potential.

There is compulsory training of the Soviet population in civil defense, training that is given in schools, industrial plants, and other locations. In addition, large stockpiles have been established in dispersed and protected locations. These would serve to sustain the population and industry during the war and the initial period of recovery following the war. The Soviet Union also has developed large trained forces with the necessary capabilities for rescue, damage-limiting, and emergency repair and restoration following nuclear attacks.

According to Dr. Leon Goure, noted expert on Soviet Civil Defense, Soviet expenditures for Civil Defense amount to four to six billion rubles per year (about five to eight billion dollars). There is some uncertainty as to the extent to which the Soviets have implemented their civil defense program, and it is a difficult area to assess, but it is clear that the program is not yet completed. However, it is believed that, under favorable conditions, the Soviets may be able to limit their fatalities resulting directly from the U.S. retaliation to a Soviet first strike to 20 million or less and to achieve the survival of most of their leadership and their essential workers. This would then put them in a much more favorable position than the United States for post-war recovery.

Mr. BOLAND. How much do they devote to civil defense annually?

Mr. MCCONNELL. There is a national security memorandum declassified by the CIA which indicates it is in the vicinity of $2 billion a year.

Mr. BOLAND. Do you know whether or not the Soviet stockpiling program is better prepared to deal with a nuclear holocaust than the American plan?

Mr. MCCONNELL. No question about it, sir.

Mr. BOLAND. FEMA will also "pursue the analysis of weak links in the ability of U.S. industry to recover from nuclear attack."

What are these weak links?

Mr. MCCONNELL. Sir, the obvious protection of machinery against the direct effects of nuclear weapons, planning that could take place to assure the duplication of essential parts of machinery that could be stored away from target areas to make restoration of industry possible even after a nuclear attack, and the relocation of essential workers so they would be available after an attack to restore industry.

Mrs. BOGGS. Mr. Chairman, may I ask if we have been able to examine the preparedness of the People's Republic of China?

Mr. MCCONNELL. Not in as much detail, Mrs. Boggs, as that of the Soviet Union. We had made studies of their relocation plans with regard to earthquake preparedness, which they are extensively studying in connection with their earthquake prediction program. Also, we are well aware of the underground caves and tunnels beneath cities, which in fact they have to protect their people from possible attack.

Mrs. BOGGS. We could learn a great deal from this system, the stockpiling and communications system and so on.

Mr. MCCONNELL. Yes, ma'am.

Mr. BOLAND. I have a number of other questions that I will submit to you and you may prepare the answers for the record:

[The questions and answers follow:]

Question. On page 51, I note that part of the 1981 activity in the Weapons Effects area will be to "complete initial development of a theory of blast/fire interaction."

Why hasn't research this basic been accomplished long before?

Answer. Several models were developed a decade or more ago that attempted to describe the spread of nuclear weapon initiated thermal ignitions in urban areas. All of these models were deficient in that they failed to consider blast effects. In the mid-1979's a limited number of experimental tests were conducted which indicated that the blast wave could significantly perturb the thermal ignitions (enhancing or extinguishing them—both phenomenon were observed). Because of limited funds, this problem was not seriously investigated until 1978. Since this time, a program of theoretical and experimental work has been underway to address this important problem. The results of this work will provide a more realistic basis for planning to protect life and property in the event of a nuclear attack.

RESEARCH APPLICATIONS

Question. The research applications program is described beginning on page 56. The 1982 estimate is $399,000. This entire area seems a little bit unfocused. Can you briefly indicate what your major objectives are in this area?

Answer. The application of scientific and technological knowledge to emergency management policy making and operations is one of the principal objectives of the Mitigation and Research Program. A major goal of the Research Applications program is to reach out to sources of scientific and technological knowledge across the Federal Government to influence the direction of research investments so that they deal more directly with emergency management-related knowledge needs. In addition, it is essential that the most relevant knowledge needs are identified and packaged for dissemination to emergency management policy makers and managers in both the public and private sectors.

The Research Applications program plays a key role in the systematization of knowledge needs determination processes across a wide range of public and private sector user communities. It assists the communities in increasing their science- and technology-related capabilities, in searching for and making information available,

and in conducting special activities designed to integrate science- and technology-based information into emergency management policy making and operations.

In essence, the Research Applications program is directed towards analyzing, synthesizing, and directing research knowledge results to the appropriate public and private users in the field of emergency management to ensure maximum utilization and application of research knowledge results. If the activities of the Research Applications program are successful, they can assist in increasing the effectiveness and efficiency of emergency management activities across-the-board by presenting new approaches and options, as well as a greater understanding of disaster and emergency phenomena.

NAS STUDY

Question. Page 59 indicates that part of the 1982 activity in the needs determination and capacity building subactivity will be "follow-through on the conclusions of the study currently underway in the National Academy of Sciences/National Research Council on the role of science and technology in emergency management."

When is this study expected to be completed?

By whom was it directed?

Answer. The study will be completed by the end of Calendar Year 1981.

The National Academy of Sciences is conducting the study under the direction of the Federal Emergency Management Agency.

TECHNOLOGICAL INFORMATION

Question. The same page indicates that the $100,000 requested for search, retrieval, and dissemination is to "develop scientific and technological information packages in response to specific requests."

Delineate the major sources of these requests.

Why shouldn't the petitioners pay for the search, retrieval, and dissemination costs?

Answer. Major sources of requests from the Federal government will come principally from the regional offices and other headquarters elements of FEMA as well as the numerous Federal agencies that cooperate with FEMA in preparedness, mitigation, and response actions in the area of civil emergencies. In addition, requests for scientific and technological information that has applicability to disasters may also originate with State and local governments, private relief organizations, industrial and commercial interests, and private citizens who often must shoulder the responsibility and burden for recovery when a Presidential declaration of a major disaster is not made.

FEMA is responding to Public Law 96-480 and recent Presidential directives to make the results of Federal research and development available to the public which has financed such efforts through taxes. Current budgetary problems prohibit many State and local governments from either performing research independently or purchasing it from other sources. Similar budgetary restrictions on private relief organizations or other groups would prevent access to the results of such specialized research.

TECHNOLOGICAL HAZARDS

Mr. BOLAND. The Technological Hazards Research program is described on page 65. The 1982 request is $660,000, an increase of $242,000 above 1981. The 1982 request for dam safety is tripling to $300,000.

Specifically, what will be done with the additional resources in 1982?

Mr. CRAWFORD. There are two efforts, one being in the area of Federal dams. There has been an interagency committee which FEMA chairs which has looked into the issue of Federal dams in terms of their safety. There has been a great deal of interagency involvement with the responsible agencies looking into their own situations in that regard. The other aspect of this is the non-Federal dams, sir. There is an apparent great hazard in the country with respect to those dams in that many are privately owned. The degree of maintenance and safety of those dams is of some question.

The Corps of Engineers has been undertaking a survey of those dams which shows that as many as 25 percent of them are in an unsafe condition. One of the things FEMA will be doing this year is trying to develop ways as to how the technical sources and financial sources can be used to correct unsafe dam conditions among non-Federal dams.

Mr. THIEL. If I might point out to you, footnote E on that table indicates $500,000 from another account is also used in the same safety area. So the actual expenditures are expected to be $600,000 in actual budgeted items for dam safety.

Mr. BOLAND. Thank you.

You are requesting $188,000 in 1982 for Other Technological Hazards. Page 67 indicates that the focus of this activity will be restricted to the area of hazardous materials, especially chemicals in commerce. How does FEMA's research in this area differ from that performed by EPA?

Mr. CRAWFORD. As you will note, the amount of funds dedicated to that is quite small, and the posture of FEMA is to play only a consolidating leverage-type role. So there is no significant amount of research that is being undertaken in that category at that time.

OPERATIONS SUPPORT

Mr. BOLAND. Turn to Operations Support on page 72. The total 1982 request of $37,507,000 represents a decrease of $5,922,000 from the 1981 current estimate. The number of positions decreases from 659 to 627.

The Management and Administration activity is summarized on page 74. Permanent positions increase two, to a total of nine in 1982. Why is this increase necessary?

Mr. WILCOX. That is an authorization to nine; there will be some increase in effort, but that is largely a reaccounting for things from where they were shown last time.

COMMUNICATIONS AND WARNING

Mr. BOLAND. The Communications and Warning request of $29,741,000 is summarized on page 76; $2,077,000 is requested for the National Warning System.

How many personnel are devoted to the national warning center at Colorado Springs, and the alternate national warning center at Olney, Md., in 1981 and 1982?

Mr. WILCOX. I believe it is 10 at each.

Mr. COUGHLIN. Do you actually operate the national warning system? Is it operated by FEMA?

Mr. MCCONNELL. Yes, we do; we provide the personnel in the combat operations center in the NORAD command center in Cheyenne Mountain. There is a cubicle in the side of the NORAD center with access to all the displays. When the time is appropriate, we issue the warning to 2,300 points nationwide that there is an attack underway.

Mr. COUGHLIN. This is tied in with a radio network?

Mr. MCCONNELL. No, sir, it is a wire line system engineered and maintained by the American Telephone and Telegraph Company.

Mr. COUGHLIN. This is to warn civilians?

Mr. McCONNELL. This is to get the national warning to communities throughout the United States—States, communities, Federal agencies, and key officials, who then are responsible for warning the public.

Mr. COUGHLIN. Thank you, Mr. Chairman.

Mr. BOLAND. Page 79 indicates that an additional 50 pole or building-mounted sirens will be installed in 1981 for the Washington area warning system. This is in addition to the 450 sirens already in the system.

Why are the additional sirens needed? What is the associated cost?

Mr. WILCOX. Adequate warning to the public.

Mr. BOLAND. Well, that is a pretty good answer. I wouldn't have thought to ask the question, if it had occurred to me.

Mr. McCONNELL. Sir, if I could clarify, it is to accommodate the expansion of the metropolitan area and growth that has not been accommodated in recent years. I will prepare an answer in more detail for the record.

[The information follows:]

WASHINGTON AREA WARNING SYSTEM (WAWAS)

The 50 sirens' installations are a mix between new installations and replacement of worn out units. There are 465 units installed; 25 units are in storage awaiting site selection; permits, etc., or are designated as spares. Approximately 600 sirens are required to cover the Washington metropolitan area.

New installations are necessary to provide outdoor warning coverage to the fast growing suburban communities particularly in upper Montgomery, western Fairfax, Prince William and Loudoun Counties.

Installation costs vary depending on site power, telephone service availability, and type of mounting. Costs average $2,000 per site.

Mr. BOLAND. The additional sirens will be installed at different locations, I presume.

Mr. McCONNELL. In the outlying areas.

Mr. BOLAND. I have three more questions to be answered for the record:

Question. The Decision Information Distribution System is described on page 81. The 1981 current estimate for DIDS represents an increase of approximately $100,000 above the 1981 budget estimate.

Why is this increase necessary?

Answer. No increase is requested for fiscal year 1981. Page 55 of the 1981 Congressional Submission reflected the following:

Actual 1979	$107,000
Budget estimate 1980	107,000
Current estimate 1980	107,000
Estimate 1981	470,000

NOTE.—$470,000 appeared in the Congressional Submission which was in error.

Page 76 of the 1982 Congressional Submission shows $577,000 for both the fiscal year 1981 Current Estimate and Budget Estimate 1982.

The amount required to maintain the DIDs system is $107,000. The additional $470,000 is for activation of the Edgewood site.

ANTENNA FIELD PURCHASE

Question. Included in the 1981 Appropriation Act was $571,000 for the purchase of an antenna field.

Has the purchase been completed?

What was the actual purchase price?

Answer. The antenna field along with the associated rights-of-way and one acre of land housing the Federal Regional Center water wells, was purchased by the North

Atlantic Corps of Engineers Division in December 1980. The total cost was $658,500 and the total acreage amounts to 69.95 acres.

A decision to purchase the water well and the associated rights-of-way was made by Plans and Preparedness and concurred in by General Counsel and Director of FEMA as being most advantageous to FEMA.

A small problem has developed in "deferred taxes" payable in the amount of $39,000. The Corps has stopped payment with the Treasury on the advice of their attorney. The Corps attorney is of the opinion that the title company will pay the taxes, get clear title, and sue the sellers.

FEMA has been kept informed by the Corps at each stage, and we will continue to monitor the transaction.

FIRE PREVENTION

Question. Operations Support for Fire Prevention and Control is described on page 85. The following statement appears on that page: "The National Fire Incident Reporting System (NFIRS) will be converted and transferred to the Operations Support system."

How do you reconcile that statement with the statement on page 206 of the justifications, which indicates that the design and development of the NFIRS computer software system will be accomplished in the Hazard Mitigation and Disaster Assistance appropriation?

Answer. The reference to NFIRS on page 85 needs clarification. Among the tasks to be addressed in fiscal year 1982 we plan to commence the transition of moving the NFIRS system from the Department of Commerce computer to the Operations Support computer in-house. We have always had plans to move NFIRS to FEMA and this will be our first step in that direction.

This task involves the phased switching of selected NFIRS production runs to the Operations Support computers with no increase in requested funds for Operations Support efforts, which primarily involve computer hardware utilization. The funds to support software applications and personnel associated with NFIRS are included on page 206.

SPECIAL FACILITY

Mr. BOLAND. Turn to page 90, the justification for the Federal Preparedness activity within Operations Support. This activity is experiencing major changes in the 1982 proposed budget. The total 1982 request of $6,274,000 is $2,727,000 below the 1981 current estimate. Virtually the entire decrease will be experienced at the special facility.

How many FEMA employees are currently located in the special facility? What is the special facility?

Mr. GALLAGHER. I will answer that, Mr. Chairman. The special facility is a relocation site, to be used in case of an emergency where the Government could continue to operate. They were authorized 278 people to operate the site; presently because of reductions there are 255 people currently there. In fiscal year 1982, it will be down to 211. This is part of the things I discussed with members of your staff. The FEMA does have a budget problem, living within the President's budget. To do so, there are areas that just have to be cut.

I have a personal interest in the special facility, and I would hope when the new people come in we will reprogram money within the Agency, of course with the concurrence of the Committee, but at the present time it had to be taken somewhere.

Mr. BOLAND. I presume some specific activities have already been curtailed. Will those activities be curtailed in 1982 as well?

Mr. GALLAGHER. If the funds stay at $3 million, there will be a curtailment.

Mr. BOLAND. I suppose there will be a degradation in the Federal Preparedness Continuity of Government program.

Mr. GALLAGHER. There will be a degradation because the facility cannot and should not operate.

Mr. GREEN. Mr. Chairman.

Mr. BOLAND. Yes.

Mr. GREEN. Continuing on page 90, the budget authority seems to increase sharply compared to the budget estimate. Can you explain that?

Ms. POWELL. That comes from the fact the $1,347,000 is not added. That is a non-add, but in the current estimate it is added, so it is not a true increase. Is that the figure you are talking about?

Mr. GREEN. Yes.

Ms. POWELL. It is a transfer of funds and people from Olney, which is another facility.

Mr. BOLAND. I note in the last paragraph on page 91, that it will be necessary to augment these employees with trained personnel from offsite. What are you saying here?

Mr. GALLAGHER. I am not saying that. Those are words that were put in the budget. I say, this sounds feasible, but in practical fact is not. They have talked about using military personnel in an emergency. However, the type emergency we are talking about, the military will be fully occupied with what they are normally supposed to be doing and would not be available. Furthermore, if you could use people, it would take six months to train them. It is not a practical application.

Mr. BOLAND. Turn to page 97, the object class summary for the Operations Support activities. The personnel compensation total in the 1981 budget estimate is $15,764,000. This equates to $22,423 per work year. The 1981 current estimate of $17,096,000 in personnel compensation equates to $26,671 per work year. The 1982 comparable figure is $22,659 per work year.

Why does personnel compensation per work year fluctuate so widely from the 1981 budget estimate to the 1982 budget estimate? In other words, why do positions and work years decline, but personal compensation and benefits increase in the 1981 current estimate?

Mr. VOLLAND. The difference here, Mr. Chairman, relates fundamentally to the change in the 1982 budget estimate and the 1981 current estimate and has to do with the fact when OMB apportioned reductions both in the Carter budget and in the Reagan review of the budget, the factors being used to apportion those reductions were quite different and in a number of places because of the very short time we had to put the estimates together, the average salary numbers do not come out as consistently as they should. As Mr. Gallagher indicated, we will have to, in any event, conduct a rather comprehensive review of all the estimates for 1981 for the Director Designate, and we anticipate there will be some changes in these items as a result of this.

OPERATING FACILITIES

Mr. BOLAND. If there are no further questions, we will turn to Hazard Mitigation and Disaster Assistance.

Mr. COUGHLIN. Mr. Chairman, before we go on—of the $183 million in this portion of the budget, how much of it is devoted to

operating systems and operating functions that you support in this category?

Mr. VOLLAND. I would prefer to supply that for the record for a number of reasons, the first being this portion of the budget also includes the Civil Defense program. I would like a little time to go through and sort it out.

Mr. COUGHLIN. Would it be a half, or a quarter of it?

Mr. VOLLAND. Less than half in terms of actual facilities.

Mr. COUGHLIN. Then all the rest of it is in plans, studies, and things like that?

Mr. VOLLAND. Yes, sir.

Mr. GALLAGHER. I think we should have that one for the record, sir.

[The information follows:]

EMERGENCY PLANNING, PREPAREDNESS AND MOBILIZATION

Of the $183,277,000 requested under this appropriation, the Operations Support section, which is funded at a $37,507,000 level in fiscal year 1982, is devoted to operating systems and operating functions. The balance of the appropriation, approximately 80 percent, includes studies, plans, training and education, and grants to states.

Mr. COUGHLIN. If you take the plans and studies part of it, and you whack that in half, would you delay the plans and studies? Would it take you twice as long to do them; is that right?

Mr. MCCONNELL. I am not sure we understand your question.

Mr. GALLAGHER. I am not sure I understand, either.

Mr. COUGHLIN. This $108 million is involved in all sorts of plans and studies, and a smaller portion is devoted to the operating side.

Mr. MCCONNELL. That is correct. We assume then you are including the actual plans at the local government level for their accommodation against nuclear power plant accidents and crisis relocation against attack and all the other programs. Yes, there is a substantial amount of software in any program and in any business.

Mr. COUGHLIN. So any cuts would simply delay those?

Mr. MCCONNELL. They certainly would.

HAZARDOUS MATERIALS

Mrs. BOGGS. Before we leave Emergency Planning, Preparedness and Mobilization I wonder if I might ask about the research and mitigation activities involving release of toxic chemically reactive or radioactive material in populous areas, including their transportation. There is a need for an appropriate response to accidents.

Your justification notes that attention given to such possible emergencies has not been systematic or comprehensive. What kind of work is being done on this subject?

Mr. CASEY. I believe I can answer that insofar as FEMA is concerned. We started about a year ago taking a look at this area to see what the Federal government was doing. We found there were over 30 pieces of legislation dealing with hazardous material, administered by over 20 Federal agencies. As we talked to different people on the subject, including public interest groups and trade associations, other Federal agencies, they were all looking for someone to be a focal point in the Federal government. So we have

reached a point in FEMA where we are designing a role, and I might say at no additional cost within our current personnel levels, designing a role for FEMA to provide an umbrella, a coordination point in this area for the Federal govermnent and for people outside the Federal government when they want to address something in the Federal government.

Mrs. BOGGS. I am very happy to hear that. Your justification indicates that you have been working to facilitate diffusion of information. I find emergency planners in my area are concerned about this type of accident but do not really have that much information despite all the different agencies that are concerned.

What are you doing with respect to dissemination of information?

Mr. CASEY. We are using our resources plus those of, for example, the National League of Cities. We have monthly publications putting out information to the local officials who have concern in this area. We are printing our own publications and using whatever devices we can to get the information out. As I said, we have just started, but we hope to improve and do a lot better next year.

Mr. CRAWFORD. From the standpoint of science and technology information, one of the features of the Mitigation and Research program is a high implementation through organization. We do have a special office dedicated to try to identify the user needs as to the kind of knowledge that is needed out there and then prepare the network that gets it back to the fellows out there dealing with the technological aspects throughout the country. We are working with groups like the American Public Works Association and the State legislatures. So, we do have a high degree of interest in that application issue.

Mrs. BOGGS. I am very pleased, because the problems associated with transportation of these hazardous materials exist, and the difficulties surrounding any type of accident would be very profound in the area of the country which I have the pleasure of representing. This is a disaster, and I hope information can be promulgated as quickly as possible.

Mr. GREEN. The Department of Transportation recently printed in final form a set of regulations on transportation of nuclear waste which would permit transportation through quite densely populated places. When do you think you will be getting final regulations?

Mr. CASEY. The U.S. Fire Administration has been training to handle hazardous spills. We have been working with an organization that has been time-tested in various types of crises over many years. So, we are prepared to respond. When I indicated we were just getting going or just beginning to provide that umbrella for the Federal government—the Federal government has been working on this, but everyone has been doing their own thing like the Department of Transportation, like EPA and other agencies with a concern in hazardous material. What we are trying to do is pull that act together. The Federal government is not insensitive to these problems. It is just that they do not have their act together.

Mr. GREEN. As you put the act together, will you then be reviewing other agencies' practices that might be in need of updating and correcting?

Mr. CASEY. Yes. We have already started on that. The EPA lists some 500 or 600 items that are hazardous materials. But on the other end of the spectrum, the Department of Transportation lists over 2,000. So somehow or another, the Federal government has to get their act together, and that is what we will try to do.

Mr. GREEN. I hope you will take a look at the transportation of radioactive material as quickly as possible.

HAZARD MITIGATION AND DISASTER ASSISTANCE

Mr. BOLAND. Turn to page 169, the object class summary for the Hazard Mitigation and Disaster Assistance appropriation. The 1982 request is $112,844,000; the 1981 current estimate is $109,670,000. Please explain the following changes in the 1981 current estimate from the 1981 budget estimate: object class 25, other services; object class 32, lands and structures; and object class 41, grants, subsidies, and contributions. The 1981 budget estimate for object class 41 had no entry other than the $2,948,000 reflected on page 169.

Is that all contract?

Mr. VOLLAND. Most of it is; yes, sir, over $43 million of it is. We will explain those changes for the record.

[The information follows:]

OBJECT CLASS CHANGES

[Dollars in thousands]

Object class	Budget estimate 1981	Current estimate 1981	Difference
25.0	$75,888	$62,959	−$12,929
32.0		5,400	+5,400

The changes reflect Congressional reductions and a more accurate distribution of the funds by object class, as follows:

$5,400; to object class 32, to accurately reflect the funds for the purchase of property under Section 1362 of the National Flood Insurance Act.

$3,001; Congressional reduction ($2,000 in flood studies and $1,001 in the State assistance program).

$3,897; to object class 23.2 to reflect postage and equipment rental estimates erroneously assigned to object class 25.0 in the original fiscal year 1981 submission.

$631; application of President Carter's March 1980 reduction.

$2,948 thousand, which appeared in object class 41 in the fiscal year 1981 budget appendix, was not so displayed in the fiscal year 1981 Congressional justification. This amount, used for student stipends and grants by the U.S. Fire Administration is appropriately displayed in the fiscal year 1981 column of the fiscal year 1982 budget.

Mr. BOLAND. Turn to page 174, under the Administration of Federal Insurance activity. The 1982 estimate for Riot Reinsurance premiums is $783,000, identical to the 1981 amount.

Why is no increase forecasted for 1982?

Mr. KRIMM. As a result of the Holtzman amendment passed by Congress in 1978, 11 States have dropped out of the riot reinsurance program, which has the effect of reducing the premium income.

Mr. BOLAND. What was the Holtzman amendment?

Mr. KRIMM. It required States participating in the riot reinsurance program to charge rates not higher than the rates set by the State's principal rating organization for voluntary market business,

and secondly, dictated the composition of the Board of Directors of the State Fair Plan boards.

Many States looked at this as an intrusion on State regulation. As you know, the States regulate insurance.

Mr. BOLAND. To what bill was the Holtzman amendment attached?

Mr. KRIMM. The Housing and Community Development Act of 1978, as I recall.

Mr. BOLAND. Page 175 details the headquarters employment for the Flood Insurance Administration. The Natural Hazards Reduction activity fluctuates from 29 in 1980, to 45 in the 1981 budget estimate, to 34 in the 1982 estimate.

Please explain these variations.

Mr. KRIMM. We have had an OMB cut in staffing so the number of people in the office has been decreased to 34.

I might add that when I became Acting Administrator I did take some people out of the Administrator's office and put them in other parts of FIA.

FLOOD INSURANCE STUDIES

Mr. BOLAND. The Flood Insurance Studies activity is described beginning on page 180. As indicated near the bottom of the page, "Communities must also adopt and enforce flood plain management measures to reduce the probability and severity of damage."

How many communities in the regular program have not adopted or enforced flood plain measures?

Mr. KRIMM. There are approximately 6,000 communities in the regular program. All have adopted flood plain management ordinances. In order to come into the regular program they must adopt the ordinances; otherwise they are suspended.

If a community is in the regular program and we find they are not enforcing their ordinances, we work with them to find out what the problem is. But, if they do not enforce the ordinances or commit violations, we suspend them.

Mr. BOLAND. What action does FEMA take?

Mr. KRIMM. We suspend them from the program, and flood insurance is no longer available in the community. Also, there can be no Federal assistance. For instance, if a disaster occurred they would be ineligible for SBA funds for repair of damaged structures.

Mr. BOLAND. How many are affected?

Mr. KRIMM. Currently there are about 80 that are suspended. The number fluctuates between 45 to 85 on a monthly basis. There are probably 45 which are hard-core communities that have stayed out of the program. The others have not adopted their ordinances in the required time.

We do a study and after an appeals period we issue a Flood Insurance Rate Map giving the community detailed information on elevations of a flood and other information. They are then given six months to adopt ordinances. If they do not adopt them, we have to suspend them.

Very often the community, a month or two after the deadline, will adopt the ordinances.

Mr. BOLAND. How many communities are currently in the regular program?

Mr. KRIMM. There are 16,973 communities participating in the flood insurance program; 11,255 of them in the emergency program, and 5,718 in the regular program.

Mr. BOLAND. What is your best estimate of the number of communities that still must be studied?

Mr. KRIMM. We had looked to accelerated conversion projects where we would convert them to the regular program. There were 8,000 to 9,000 communities that would qualify for this. This was an estimate given by a consultant. However, working with our regional offices and State coordinators, we believe that only about 3,000 communities will be eligible for this accelerated conversion. Therefore, we estimate about 6,000 or more communities still have to be studied.

Mr. BOLAND. Page 182 indicates that contracts are entered into with the Army Corps of Engineers and the U.S. Geological Survey to develop data necessary for setting actuarially sound premium rates.

For both 1981 and 1982, how much does FEMA estimate it will provide to other Federal agencies for these services?

You may answer that for the record.

[The information follows:]

FEDERAL AGENCY FUNDING

In 1981 and 1982, the Federal Insurance Administration plans to spend less than $1 million with other Federal agencies to initiate risk zone and elevation studies. Some additional funding will be provided to other Federal agencies for studies currently underway.

STUDY COSTS

Mr. BOLAND. What is the estimated cost of a study in 1981 and 1982?

Mr. KRIMM. The cost of studies will increase from $59,000 in 1981 to about $79,000 in 1982.

The reason for the increase in cost is that we are now studying large, more scattered communities. For example, we are doing more in the unincorporated areas of large counties. We are no longer able to go into an area like New Orleans and study a great many communities in that particular area, which is more cost-effective. Instead, we are having to jump from a large county in Colorado to a large county in Wyoming. This tends to increase the cost, along with the inflationary factors that have taken place such as increased cost of labor and materials.

Mr. BOLAND. 6,000 studies to be performed, at an estimated cost per study of $79,000, comes to $474,000,000. That is correct, isn't it?

Mr. KRIMM. Yes, sir.

Mr. BOLAND. Within what timeframe do you expect those studies to be completed?

Mr. KRIMM. Based on current budget estimates and our need for additional study funding, starting in 1983, if we can increase the number of new studies to about a thousand a year, it would take us up to about fiscal year 1989 or 1990. We are not going to make the 1983 deadline that was originally set up by Congress to complete all our flood insurance studies. That was part of the 1968 Act. At that time it was estimated there were only about 5,000 flood-prone communities in the United States. That was taken from a list the

Corps of Engineers had put together on urban areas in the United States that have flooding programs.

When we started identifying flood-prone communities with assistance from the Soil Conservation Service, we found there were about 20,000 communities in the United States with flooding problems. Of that, we estimate that a total of maybe about 5,000 will not require detailed study.

Mr. BOLAND. Mr. Green.

PROGRAM SUBSIDY

Mr. GREEN. Along that line, I am somewhat concerned that the program does not seem to be achieving its initial goal. As I recollect, the original purpose was that it be a temporarily subsidized insurance program which would act as the carrot to get the communities to cooperate, but that it was supposed to yield ultimately to a situation where, as a result of the reduction in hazards through the flood plain management, the insurance could then be nonsubsidized. Yet you still seem to be in a position where, even on new structures, you are writing insurance where your losses exceed your premiums, and you do not seem to be getting very far in your nonsubsidized program. I wonder if you would comment.

Mr. KRIMM. When the feasibility study was done in 1966, it was estimated it would be a long-term program, perhaps taking 30 or 40 years, until we would be in a position where the private insurance industry could take over the underwriting. The Federal government would then probably step out because flood-plain management would be in effect in most areas. In those areas where flood plain management is in effect, the elevation of structures has reduced flood losses.

We estimate by the year 2000, provided we continue with strong flood plain management—and I should put in a caveat here that we are increasing the subsidized rates by about 60 percent in fiscal year 1982—we do hope to get to a point where about 55 percent of all flood insurance policies will be written on an actuarial basis at that time, or perhaps the government can get risk underwriting.

One of the things I am trying to do is get the private insurance industry back into the picture. I doubt that they would come in as a partner right away, but at least we could bring them back in an advisory capacity. The expertise they have in claims, claims adjustment and rating would be of great benefit to us. As you know, we terminated our relationship in 1977.

Mr. GREEN. I get the impression that even as to new structures you are not getting an actuarially sound premium.

Mr. KRIMM. In coastal areas we are concerned. One of the things we are doing is developing a method for improving actuarial rating. Some regulations were promulgated January 18 and sent to the Federal Register, which may not have been the right way to go about it. Mr. Gallagher withdrew the regulations because they were controversial. We are now working with the realtors, the League of Cities, and National Association of Counties, to draw up a program of rating which will not be burdensome to communities but will achieve a better source.

We also project that in fiscal year 1982 the actuarial rates we have will cover most of our losses in this area.

Mr. GREEN. I have detailed questions on this subject which I would like you to answer for the record.

[The questions and answers follow:]

Question. The two objectives of the Flood Insurance Program are to insure existing construction against inevitable flood damages, and to help prevent further flood losses by requiring new construction either to build to flood safe standards or to locate outside the floodplain. Even with these goals, average annual flood damages are increasing—according to the National Science Foundation from a rate of four percent each year from 1900 to 1970, to a rate of 6–7 percent each year since the program was authorized. Evidently, the Flood Insurance Program is not meeting its objective of avoiding unwise land use and thus reducing flood damages.

What specific measures are you proposing to re-direct NFIP to reduce annual flood damages, and to reduce the level of appropriations you're requesting each year?

Answer. One should keep in mind that there were several factors that occurred in the 1970s which were outside the government's control, but which have contributed to the increased demand to develop floodplain lands.

The energy crunch has stimulated and/or accelerated a migration from the northern developed areas to the warmer southern and western undeveloped or underdeveloped areas. The National Weather Service Hurricane Warning Center indicates that 80 percent of the population living in a coastal area in the southeast have moved there during the past 10–20 years and have never experienced a serious storm and related flooding.

The size of the age group of retired persons has risen by significant proportions during the 1970's (Census Bureau) and their desire to live a less expensive and more comfortable life in retirement has contributed towards the southern migration in and near floodplains.

The availability of low flood insurance rates may have contributed to this increased development in some areas by reducing the risk, but our indications have been that in the southeast coastal areas the development pressures were so great that they arose and continued regardless of flood insurance rates.

We are, however, doing several things in an attempt to reduce annual flood damages and the level of appropriations.

There has been an inconsistent Federal policy regarding the encouragement/discouragement of development in flood prone areas. While FIA has consistently encouraged, through the regulations of the NFIP, wiser use of such areas and mandated minimum building safety standards for new construction, other Federal agencies have provided the necessary financial resources through grants and loans to build whenever the pressures existed. Only with the adoption of Executive Order 11988 has there been an attempt to provide a truly uniform Federal approach to such problems. Implementation has been slow, yet progress is being made.

Question. Since 1978, the National Flood Insurance Fund has been paying out in claims about twice as much as it brings in through premiums—a subsidy of about $200 million every year. The proposed fiscal year 1982 budget cuts the Flood Insurance Fund by $100 million.

What is NFIP going to do to reduce the discrepancy between claims payments and premiums?

Answer. There are a number of activities that FIA is in the process of undertaking that will result in much more effective management of the program and help to reduce its overall costs. The major activities and their expected benefits are as follows:

Activity	*Benefits*
Raise the subsidized rates on October 1, 1981.	Increase premium income, reduce total outlays.
Charge rate higher than the subsidized rate for new construction in Emergency Program.	Increase premium income, reduce total outlays.
Increased underwriting.	Reduction in loss payment.
Aggressive pursuit of subrogation.	Increased recovery of loss payments. Increased floodplain management compliance at local level/reduced federal liability.
Strengthen and streamline loss adjustment process.	Reduction in loss payment and related expenses.

Simplify rating procedures.	Reduction in rating errors/reduced indemnity costs, increased premium income.
Improve ratemaking system.	Increase premium income to reflect increased uncontrollable costs.
Update all insurance policy decisions and procedures.	Reduce loss payments and operating costs.
Initiate a statistical analysis and utilization program of existing data already available within our system but never utilized.	Increased premium income, reduced payments, increased floodplain management compliance, more accurate mapping.
Review and revise mapping decision (urban drainage, levees, small drainage areas).	Increased premium income, increased floodplain management compliance, reduced federal liability.
Increased application of floodplain management requirements (community suspension, claim payment denial).	Reduced loss payment, reduce federal liability.
Tightening of internal management.	Reduction in losses and expenses.
Update the Program's floodplain management regulations to reflect program experience, trends, laws, and policies.	More effective performance standards which communities must meet as a condition of participation in the NFIP, thereby reducing future flood losses.

Question. The original plan for the National Flood Insurance Program was that it would encourage only wise and safe construction in the floodplain, and that all new construction would pay actuarial rates, so that eventually, as old homes are destroyed or substantially improved, the program would become self-sustaining.

What step is FIA taking to move toward self-sufficienty? What time frame is the agency looking for meeting this goal? Are there any plans for including the private insurance industry in the program and eventually turning all, or part of the program over to them?

Answer. The Federal Insurance Administration continues to conduct studies of flood prone areas to determine base flood elevations which when reflected in the flood plain management ordinances of communities participating in the National Flood Insurance Program will cause new construction to be built at levels which will reduce the potential for flood losses.

It will not be possible to identify base flood elevations in all of the communities containing special flood hazard areas by 1983. However, premiums are being increased in the light of actuarial experience and such premium increases, together with any increases in funds which may become available for conducting additional studies, will accelerate the process of achieving self-sufficiency, which our present rate of progress does not indicate can be reached before the year 2000.

FIA has initiated discussions with private insurance companies to determine the basis upon which the private industry would be interested in considering performing some of the functions of the National Flood Insurance Program. Any such performance would be an initial step in eventually enabling the availability of flood insurance to be provided by the private insurance industry, with the government's role concentrated in the areas of hazard mitigation and flood plain management.

Question. By law, new construction insured during the regular phase of the Flood Insurance Program should be actuarial, or true cost, yet new construction in the regular phase of the program in the most hazardous areas, V-zones, pays out almost five times the amount it brings in. I understand that other regular phase policies are also subsidized.

Why hasn't FIA been charging true actuarial rates for new construction in the regular phase? What steps will need to be made to bring payouts into line with claims in the regular phase? What is the timeline for eliminating the subsidy to new construction in the regular phase? Are there in-house obstacles that have precluded FIA from including loss experience—a common custom-of-the-trade for private insurers—in the actuarial determinations?

Answer. FIA has been charging actuarial rates, however, FIA had not developed a system which would have allowed for routine analysis of loss experience and risk exposure to adjust rates on an annual basis as may have been appropriate. The rates charged, therefore, did not necessarily represent the true risk in all cases. There is one exception to this, in coastal areas, the rates charged were thought to reflect the risk in the coastal high hazard areas until a few years ago when new developments in methodology revealed that we had not been including a factor for wave heights. The methodology for determining this has been worked out from an engineering standpoint but not a rating standpoint. That is currently being explored hopefully with a resolution in the near future. One limitation in implementing such

a system, however, will be in the availability of funds to adjust the studies and maps so that the appropriate rates may be charged.

Currently, there are some two million policy holders. This represents only a third of the universe of an estimated 6.5 million structures located in the nation's floodplain. In order for part of the insurance principle of spreading the risk to work more fully, it may take some years at today's rate of growth for all existing structures to come under the jurisdiction of the Flood Disaster Protection Act of 1973 and be covered by flood insurance. Even when the rates for new construction are truly actuarial, which should be by the end of fiscal year 1982 at the latest, the problem of the subsidy for existing construction may remain for a while. We are attempting to offset this, however, by reviewing our subsidized rates annually and adjusting them according to our loss experience. This should help reduce such costs. We will also be exploring alternative ways of rating one segment of such construction, that of those structures actually built following the publication of their Flood Hazard Boundary Map, or entry into the Emergency Program, or both. We will have a new rating system in effect for those buildings in fiscal year 1982.

FIA recognizes the need to increase management guidance and oversight of its contractors to assure a sufficient statistical reporting and analytical system to be used in all of its decision making which would have had a significant impact on outlays. We are currently developing such a system and will have it sufficiently in place during fiscal year 1982 to realize benefits.

Question. We have been hearing a lot about the potential hazards of developing on barrier islands. Please compare the payout on policies on barrier islands compared to other coastal areas. Compared to policies in general.

Answer. From January 1978 to January 1981, the Federal Insurance Administration has paid claims in general totaling approximately $841,450,000.

From January 1978 to January 1981, the Federal Insurance Administration has paid claims in V-Zones (those coastal areas subject to high velocity waters, including but not limited to hurricane wave wash and tsunamis) totaling approximately $29,000,000.

The Federal Insurance Administration presently does not have total claims paid on barrier islands separated from other coastal areas. We are proceeding to obtain that data and will provide it as soon as it is available.

Question. Only the State of Alabama has rate maps which include wave heights. This means that new construction in V-zones is receiving a substantial subsidy, even when it is entering the regular program. There is no appropriation request for completing the wave height mapping. Does this mean that there are no plans to try to eliminate this subsidy by establishing rates that more closely approximate actuarial?

Answer. Elevations established for regular program coastal communities in the Pacific Coast *do* include wave action effects. Some 370 coastal communities under open study contracts were amended to include wave heights during fiscal year 1980 at a cost of $1.2 million, as part of our accelerated wave heights study efforts. FIA expects to initiate approximately 350 additional wave height studies during fiscal year 1981 at an approximate cost of $2.0 million to further accelerate completion of this effort.

Both fiscal year 1980 and fiscal year 1981 wave height studies will be funded from the regular studies budget at a loss to new study starts and restudies. However, the 720 communities involved are those where adequate basic data already exists and the additional cost to complete wave height studies is relatively small. To complete wave height studies for the remaining 400 communities on the Atlantic and Gulf Coasts will require full studies or restudies to acquire basic data.

As of January 1, 1981 our new insurance manual has increased the V-zone insurance rates from 1.5 times the corresponding non-coastal A-zone rates to 1.75 times the A-zone rates or approximately 16.5 percent higher than previously.

Question. Rates for subsidized insurance are currently below that charged in 1972. Are there currently plans to raise the rates? If so, by how much? When would the rate increase take place?

Answer. On October 1, 1981, the rates for subsidized insurance will be raised from $0.25 per $100 for structural coverage to $0.40 per $100. Contents coverage will be increased from $0.35 to $0.50.

This reflects a subsidized rate increase of 45 percent. In fiscal year 1982, the increased subsidized rates will result in an additional $69 million in premium income.

Question. I understand that new construction built before completion of the Flood Insurance Rate Maps is grandfathered at the subsidized rate even after the rate maps are complete.

What would be the revenue effect of increasing the cost of insurance for structures built during the emergency phase of the program to actuarial costs in fiscal year 1983? What would be the revenue effect if these higher rates were phased in over a five year period? A ten year period?

Answer. While communities are encouraged to use all available data to ensure new construction in the Emergency Program is built to safe standards, the present program structure provides no financial incentive for either avoiding construction in the floodplain or building safely within such area, because the rate for flood insurance coverage will not change for such structures even after flood elevations are available under the Regular Program.

The prospect of a rate change for structures built during the Emergency phase to reflect actual hazard once it can be measured via elevations should, at a minimum, reduce the number of structures build in floodplains and assure safer construction in the case of at least some of those which are built there.

With the potential of a rate increase of unknown proportions being applied to a structure when flood elevations are available, some property owners will probably choose not to take the risk of building anywhere within the floodplain, and will instead locate outside.

Even those who choose to build in the floodplain are apt to exercise more caution in construction to prevent the imposition of a severe rate increase when elevations are available. They will, for example, be encouraged to use some of the unofficial flood data available, which is currently being ignored in many communities because of the absence of any real incentive to use it.

It would be extremely difficult to calculate the financial impact of not grandfathering in all new construction in Emergency Program communities since the program started, because of the many variables and lack of data on a national basis. However, on a very gross basis we can make some assumptions about the impact on the subsidy required. If we assume an average rate of new construction (both as replacement structures and as new structures) of two or three percent of the existing housing stock, and we assume that to date on a national basis the average community has been or was in the Emergency Program for about five years, then when the rate maps are issued, there would be a 10 percent to 15 percent reduction in the subsidy for that construction which has occurred to date. Over time, this percent of subsidy reduction would increase, and, in addition to the decrease in the annual subsidy, there would be dramatic reduction in the number of years the flood program would need to be subsidized by the general taxpayer.

RATE INCREASES

Mrs. BOGGS. I would like to emphasize what was said about the initial projection of the program—that to be in effect really 30 or 40 years down the road was the idea. The idea was to take care of flood insurance for millions of Americans in flood-prone areas who could not afford to have flood insurance under any other circumstances. I was very pleased to see that you are contracting with EDS for joint administration of the Flood Insurance Fund, but you were thinking of undoing this arrangement and working directly with the private insurance industry as had previously been the case. I gather there had been some difficulties with the EDS joint administration system. Could you elaborate on that?

Mr. KRIMM. I think overall EDS has done a very good job, but they do not have the insurance background that is needed in some of the claims settlements and working with claims adjusters. They are not familiar with insurance rating procedures, and I would say their largest problem is probably being able to bring the insurance part of the program into the picture in the same way that the insurance industry was able to do so.

Mrs. BOGGS. And of course you have talked about the increases in flood insurance rates implemented on January first of this year.

Mr. KRIMM. Yes. One increase was raising the expense constant to include both subsidized and actuarially rated policies to take

care of operating costs. We also raised the minimum premium to $50 a policy. It had been $25.

The other rates that are going to be increasing for fiscal yer 1982 are the subsidized rates which would go into effect on October first.

Mrs. BOGGS. In some instances that I am aware of, rates have been increased from $35 a year to $115 a year. Apparently the rates have increased on an average of 33 percent, in some cases to ten times what they were last year.

Do you think this exhorbitant increase all at once may have an adverse effect on the program instead of putting it into a better fiscal situation?

Mr. KRIMM. This increase was in the actuarial rating. Part of that was due to very low rates such as the C-zone. The rates I am talking about increasing for fiscal year 1982 are the subsidized rates. This is being done to try to put the program on a more cost-effective basis.

Mrs. BOGGS. I recognize that.

The C-zone rates that were increased were brought about by the fact that the C-zone was proven in some instances to be very flood prone.

Mr. KRIMM. That is right. What happened, particularly in Louisiana and Texas—is that we map mainly for flooding from streams, rivers, and oceans, and there have been drainage areas that are now causing severe flooding. We have been encouraging areas to take some protection; for example, in Harris County, Texas, they are requiring developers to put in retention basins and so forth, which is very helpful. And of course in your area they have the pump system, which is very helpful, too.

Mrs. BOGGS. The only problem that has been raised by the increase, which apparently you think is necessary, is this one that I have alluded to. It is possible that the highest rates may discourage the sale of new policies and retention of existing policies. It seems to be such a precipitous increase.

Mr. KRIMM. The only thing is, we have never raised the rates. In fact, as far as the subsidized rates are concerned, they were lowered in 1972 and 1974. The actuarial rates were lowered in about 1971. Since that time, with inflation and the accumulation of better loss data, we feel we must take this action to try to put the program on a more fiscally sound basis. I understand the concern about increasing rates, but there just did not seem to be any other alternative.

Mrs. BOGGS. What about your efforts to encourage purchase of contents insurance in addition to insurance on the home or building? Can you bring us up to date?

Mr. KRIMM. We have been holding workshops around the country through our contractor, EDS. One of the things we tell insurance agents is that very often when a flood occurs, the greatest damage is to contents, and they should encourage people to take out contents coverage. Very often what happens, a person goes to the bank to take out a mortgage loan, and only the structure is insured.

Mrs. BOGGS. Thank you, Mr. Chairman.

NUMBER OF STUDIES

Mr. BOLAND. Let's go back for a moment to Flood Insurance studies. Last year Administrator Jimenez indicated that 2,000 communities needed to be studied. How do you explain the difference? Just a minute ago, you mentioned 6,000 needed to be studied.

Mr. KRIMM. Originally we thought we would be able to cover anywhere in the neighborhood of 7,000 to 9,000 communities under an accelerated process through the regular program without a detailed study of elevations. In doing a thorough analysis of this and working with our State coordinators and with our regional offices, we estimate probably only about 3,000 communities will fall in that category; therefore, there is an excess number of around 6,000 needing additional study.

Mr. BOLAND. On page 172, of the total $58,890,000 requested for Federal Insurance in 1982, $42,600,000 is requested for Flood Insurance Studies. Page 185 provides a breakdown of that amount; $2.8 million is requested for 64 restudies. This represents a significant decrease from restudy activities in prior years.

Can the Committee expect further decreases in the restudy activity?

Mr. KRIMM. No, the budget is low for studies and we felt it more important right now to begin more new studies than to do restudies of certain areas. But there will always be a certain number of restudies every year as changes take place in the flooding conditions of a community.

Mr. BOLAND. Why is a restudy more important than a new study?

Mr. KRIMM. It is more important to get the community into the regular program.

Mr. BOLAND. Give me an example of a special study.

Mr. KRIMM. Those studies which add to the technology and the methods which we use for the Flood Insurance program. One example of a special study might be looking at erodable streambeds. It may be looking at the cost-effectiveness of adding wave heights to our coastal study. In Harlan County, Kentucky, we are doing a special study to show how an Appalachian community which adopts flood control measures can live with the program.

Our studies are more a way of refining the program and making adjustments in technology.

SECTION 1362

Mr. BOLAND. The Section 1362 program is described on page 186. That section of law authorizes the Federal Insurance Administrator to purchase flood-damaged structures for permanent removal from flood risk areas. The Federal Emergency Management Agency signs an agreement with the community conveying title of acquired property from FEMA to the community.

What recourse does FEMA have if a community reneges on its agreement to maintain acquired properties as open spaces permanently removed from flood risk areas?

Mr. KRIMM. They sign an agreement with FEMA.

Mr. BOLAND. What if they renege?

Mr. JETT. We have not run into that matter. If we did, we would visit with the Department of Justice and determine if affirmative litigation was in order to ask the court to direct the community to enforce the agreement.

Mr. KRIMM. There is one recourse we would have, and that is to suspend the community from the program.

Mr. BOLAND. Page 187 details the use of Section 1362 monies in 1980, the first year such funding was available. The total cost of 94 properties which were acquired was $5,572,148. Nearly 20 percent of that total cost, or $1,068,400, was used to purchase five properties in Gulf Shores, Alabama. This equates to more than $200,000 for each property purchased.

Provide the Committee with the details of the Gulf Shores transaction.

Mr. KRIMM. Would you like me to send that to you?

Mr. BOLAND. If the details will be too long.

[The information follows:]

GULF SHORES, ALABAMA, REGION IV

I. BACKGROUND

On September 12, 1979, Hurricane Frederic made landfall near Gulf Shores, a Barrier Island located in Alabama. This island was overtaken by peak winds of 145 miles per hour measured at Dauphin Island, and maximum sea rise of nearly 15 feet at Fort Morgan. High winds and heavy rains affected the coast from Pensacola, Florida. to Biloxi, Mississippi.

In downtown Gulf Shores, Alabama, approximately 1,200 homes and businesses were destroyed. This single storm resulted in 715 flood insurance claims in Gulf Shores for which $16 million was disbursed by the National Flood Insurance Program.

Although overwhelmed by the impact of this single disaster, the Town of Gulf Shores recognized the opportunities presented by the devastation to re-plan the community and, in particular, to improve public beach access and public parking, both valuable resources in its basic industry-tourism.

In 1980, the Federal Emergency Management Agency (FEMA) initiated Section 1362 of P.L. 90-448 as amended, which provides for the acquisition of flood damaged structures (buildings) along with the associated land, meeting certain criteria, and transfer of title to the real property to a local or State government. Since fiscal year 1980 was the initial year of implementation with a budget of $5.4 million, 1362 was regarded as a pilot program. The goal was to examine the impacts of acquisition under a wide range of social and geographical conditions to the extent possible.

After implementation of 1362, the Mayor of Gulf Shores approached FEMA with a proposal for five (5) potential candidates which had been substantially damaged beyond repair. Their total current land use was 3.14 acres of commercial gulf coast beach. The properties to be acquired had incurred $917,087 in flood insurance claims in 1979, not counting cost for federal loan subsidies, disaster relief and emergency services and, most importantly, business interruption and loss of local, state and Federal sales, property, and income tax revenue from the commercial properties.

FEMA examined the status of Gulf Shores, Alabama, and realized that this single casualty had presented a unique opportunity to combine community hazard mitigation planning with a post-disaster situation. Therefore, the Town of Gulf Shores, Alabama, was selected in our pilot program.

II. DESCRIPTION OF ACQUIRED PROPERTIES

All five parcels of property being acquired in this report are located within five blocks of each other, located to the east and west of Alabama Highway 59 and all properties have frontage on Gulf Shores Boulevard. In addition, the properties are located on what is considered part of the beach commercial area in Gulf Shores.

Below is a summary chart of the five units which were purchased in Gulf Shores under Section 1362 of the National Flood Insurance Act of 1968.

Name and address	Building type	Land use	Lot size	Lost, paid/ 1979	Acquisition cost
Mr. Joe R. Pullen, East Gulf Shores Blvd.	Wood Frame	Commercial	0.55	$23,732	$200,000
Esquire Inn, Inc., West Gulf Shores Blvd.	do	do	.89	821,283	370,000
Col. Thomas L. Johnson, West Gulf Shores Blvd.	do	do	.60	17,000	98,400
Mr. Glenn Bachar, West Gulf Shores Blvd.	do	do	.55	25,000	200,000
Mr. Herbert & Laura Cole, West Gulf Shores Blvd.	do	do	.55	30,072	200,000
Total			3.14	917,087	1,068,400

III. COMMUNITY AGREEMENT

A meeting was held by the local government on June 11, 1980, to discuss the community's willingness to participate in the Section 1362 acquisition program. The Mayor and local town officials expressed an interest to participate in this program with the understanding that FEMA would purchase the property from the property owner, then deed it back to the Town. In addition, the Town would retain this property in open space for public use—no further construction or buildings. The Town would then be responsible for developing a land re-use plan so that FEMA would have the assurance that it would tie in with a good public beach.

The proposed land re-use plan submitted by the Town of Gulf Shores explains the intended use of this flood damaged property. First, a portion of the 3.14 acres of the acquired property will be used for the public beach area. The center of this parcel will be landscaped with palms and other vegetation and utilized as a picnic area and restroom facility. Second, a section will be reserved for a botanical garden with an open space exhibit area to be used for educational or community exhibits. In addition, the remaining portion of land will be transformed into a parking lot and will accommodate approximately 150 vehicles.

As a result of participating in the Section 1362 pilot program (fiscal year 1980), the Town of Gulf Shores has passed stricter flood plain management regulations, and has begun to implement the above-mentioned land re-use plan. This plan emphasizes the multiple-objectives planning approach, one being recreation/open space, the other being a hazard mitigation oriented land use.

IV. COMPARISON OF OTHER 1362 PROJECTS

We were able to acquire 94 flood damaged properties in the first year of our pilot program. Below is a summary chart of fiscal year 1980 projects.

SECTION 1362 FISCAL YEAR 1980 PROJECTS

Projects	Acquired properties	Cost of acquisition	Percent
Clay County, Mo	6	$556,000	10.1
Gulf Shores, Ala	5	1,068,400	19.4
Arnold, Mo	34	831,333	15.1
San Bernardino, Calif	20	1,497,754	27.2
Phoenix, Ariz	4	186,664	3.4
North Stratford, N.H	1	58,000	1.0
Scituate, Mass	8	395,200	7.2
Cowlitz County, Wash	16	914,800	16.6
Total	94	5,508,151	100.0

COMMUNITY SELECTION

Mr. BOLAND. Any particular reason why these properties were selected?

Mr. KRIMM. That was after Hurricane Frederic. This area is subject to hurricanes once ever six years. It was felt in the interest of the government this would be a wise move. Most of these were commercial properties. I might say section 1362 is designed more to help low and moderate income people get out of the flood plain. This year our programs are all designed for river flooding.

Mr. BOLAND. I also notice that in North Stratford, New Hampshire, one property along the Connecticut River was purchased for $58,000. Was this the only property affected in this area?

Mr. KRIMM. HUD through one of their programs purchased most of the properties in North Stratford, and this was the only property remaining that had not been purchased under a HUD program.

Mr. BOLAND. Why did HUD purchase them?

Mr. KRIMM. It was a renewal program. I can supply that for the record. They used community development block grant funds for it.

Mrs. BOGGS. Mr. Chairman, I wanted to give you a personal view of this. In my district there is a neighborhood called Coubra Drive, on the west bank of the Mississippi River. The people there are of moderate to low income, and the flood related devastation has been absolutely unbelievable in the area. We have tried every conceivable way of both giving them relief and yet not impacting on the Flood Insurance program and other disaster programs in the future. To me, this program is the real answer to that type of situation, and the local authorities are very, very anxious to cooperate with FEMA. I, of course, am looking forward to working with all of them and to turning the area into some type of good public use, because the area has very little space for recreation and things of that sort. There was no other program that relieved these people.

STATE ASSISTANCE PROGRAM

Mr. BOLAND. The State Assistance program is described beginning on page 188. The Congress reduced this activity $1,001,000 in 1981.

How was the reduction applied?

Mr. KRIMM. We have a formula which we use for estimating the amount of funds that each State gets. So it was applied throughout all of the States. In other words, last year we had allocated $4.4 million to the States. This year it is down to $3.9 million.

Mr. BOLAND. Detail for the record where that reduction was made.

[The information follows:]

STATE ASSISTANCE PROGRAM

The reduction for fiscal year 1981 in the State Assistance program placed the program essentially at the fiscal year 1980 level. Except for some adjustments for recent data, a percentage reduction from the planned amount was taken and as a result, each State received approximately the same base amount as in fiscal year 1980. No State received a target of less than $50,000 or more than $200,000, the same as in fiscal year 1980.

SUPPLEMENTAL PROJECTS

Mr. BOLAND. Page 192 contains an entry of $804,000 in 1982 for Supplemental Project Fund.

Exactly what does this fund represent, and how will it be used?

Mr. VOLLAND. The $804,000 is an amount set aside in the budget for activities that might develop over the course of a year—in other words, it was a reserve so that all the money would not have been given out so funds might be available for States which come up with particularly innovative or constructive ideas.

Mr. BOLAND. Did you spend it all?

Mr. VOLLAND. This is just an estimate.

Mr. BOLAND. I gather this is a new request?

Mr. VOLLAND. It did not appear in last year's budget.

Mr. BOLAND. Did it appear in the fiscal year 1980 budget?

Is there a particular formula for distribution?

Mr. VOLLAND. No, sir.

Mr. BOLAND. What was your request to OMB for the State assistance program in 1982?

Mr. KRIMM. In 1982, it was $3 million, with the 50-50 sharing.

CRIME INSURANCE

Mr. GREEN. Mr. Chairman, could I raise a question about the Crime Insurance program at this point? I have heard some reports that that program may be in trouble. I know you just cut the coverage on jewelry and furs. I was wondering if you are planning any other changes.

Mr. KRIMM. As you know, the programs are up for renewal on September 30. We are looking toward making a recommendation to the OMB on the Crime Insurance program, because the losses are horrendous. We are losing three dollars for every dollar we take in. It has had a detrimental effect on the National Insurance Development Fund. I have written to the insurance industry and some State insurance commissioners to see if they cannot assume this and work it out at the State level, perhaps having a crime insurance program on a State basis.

Mr. GREEN. As you know, in New York it has been useful as a tool in trying to stabilize neighborhoods in keeping local merchants in place.

Mr. KRIMM. As I say, that may be worked out at the State level; 62 percent of all crime policies are in New York State.

Mr. GREEN. That is why I express concern.

Mr. KRIMM. We have sent regulations over to OMB to increase the rates by about 15 percent, but the statute requires that rates be affordable. So we are almost limited as to how much we can increase it.

Mr. BOLAND. Turn to the object classification for the Federal Insurance Administration, on page 194. Printing and reproduction costs are nearly doubling in 1982 from $1,630,000 in 1981 to $3,000,000. What accounts for this growth?

Mr. KRIMM. The correct figures are on page 185. Printing and reproduction for 1980 should be $2.6 million, and the estimate for 1981 is $3 million.

Mr. BOLAND. What is the figure for 1982?

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Mr. VOLLAND. $3 million, sir.

FIRE PREVENTION AND CONTROL

Mr. BOLAND. The Fire Prevention and Control justification is summarized on page 196. The total 1982 request is $21,100,000, reflecting a basically steady program from 1981. Explain the 24 position decrease in fiscal year 1981, from 147 to 123.

[The information follows:]

DECREASE OF 24 POSITIONS IN FISCAL YEAR 1981

FEMA's 1981 personnel ceiling has been reduced three times by OMB, since the submission of the fiscal year 1981 Budget to Congress. In each instance, the Director of FEMA distributed the reduction to the FEMA program offices as he saw appropriate, hence the reduction in Fire personnel.

ARSON

Mr. BOLAND. Page 198 contains the justification for Arson Prevention and Control. The total request is $1,331,000. What was FEMA's request to OMB in this area?

Mr. MORELAND. The same amount, Mr. Chairman.

Mr. BOLAND. I notice in the middle of the page that one of the major objectives of FEMA's Arson Prevention and Control program is to remove the economic incentives of arson. Exactly how do you propose to accomplish this objective?

Mr. MORELAND. Working principally with some of the Federal regulatory programs which affect the economic incentive, particularly in the insurance area, and in the private sector, to help them and support some of their efforts to get changes in legislation. Most of the restrictions on insurance companies are applied through State and local laws rather than Federal law. So we are working with them in such areas as encouraging the insurance company to cancel a policy on reasonable be'ief of an arson within five days, to require the settlement in an arson to be applied to back taxes, to be applied to liens against the property, looking at some of the laws pertaining to the rights of tenant groups to avoid the payment of rent during the time when the landlord flagrantly fails to maintain safety code requirements, all thrust toward decreasing the incentive toward arson.

Mr. BOLAND. Page 202 is the detailed justification for the Firefighter Health and Safety activity. The 1982 request of $1,672,000 is identical to the 1981 current estimate. An objective of this activity is to find effective ways of reducing firefighter deaths, injuries, and disabilities.

What has the U.S. Fire Administration been able to accomplish in this vein since its inception? Do you have statistics which compare firefighter deaths and injuries from 1975 to 1981?

Mr. MORELAND. Our research is in the area of development of programs to assist the fire departments in management of fitness programs, because the principal injury to firefighters does occur primarily from the lack of physical conditioning, which is based upon pure personal inattention to physical condition. Also the age of the firefighter puts emphasis on physical conditioning.

We have developed what we call Project Fires, based on a needs analysis which starts with the boots and a helmet which has been

engineered with new protective features. The entire suit is about 40 percent lighter. These have successfully passed laboratory tests. This summer or fall we will be placing the equipment in pilot tests on 14 communities throughout the country. We anticipate that test will be successful. Three foreign countries have already expressed interest in procuring these suits.

We are pushing our efforts through cooperative agreements with the Bureau of Mines to jointly do research on developing a firefighter's mask to be used by both miners and firefighters, and additionally work to develop the technology for internal firemen communication for fire ground combat communications. These are of the highest priority.

Mr. BOLAND. Please supply for the record any statistics which compare firefighter deaths and injuries over the past few years.

Mr. MORELAND. That is an area in which we are seeking initiatives.

[The information follows:]

COMPARISON OF INJURIES TO FIREFIGHTERS VERSUS MINERS

Available statistics on firefighter injuries and deaths are too weak to make reliable year to year comparisons. We have been working to develop a way to improve them, working with the NFPA and State and local governments. The data that is available shows a slight downward trend in firefighter deaths over the past few years. There are about 100–200 deaths per year and 50–100,000 injuries per year for the last few years. The Fire Administration's program in Firefighter Safety and Health is just now about to produce products that will have nationwide impact, after building a base on meager resources these past few years. We have had one lone professional working in this area.

FIRE PROTECTION MANAGEMENT

Mr. BOLAND. Turn to Cost Effective Fire Protection Management on page 203. The request for General Administration is increasing from $512,000 in the 1981 current estimate to $676,000 in 1982.

What accounts for this 30 percent increase in General Administration expenses?

Mr. VOLLAND. Basically, pay-raise costs.

Mr. BOLAND. Page 205 indicates: "an estimated $500 million is spent annually in the Federal government for fire-related activities." The justification goes on to state that much of this results in wasteful duplication of effort and significantly lowers the overall cost-effectiveness and duplication.

Detail for the record the agencies involved and amounts devoted to fire-related activities.

[The information follows:]

AGENCIES AND AMOUNTS INVOLVED IN FIRE-RELATED ACTIVITIES

A detailed tabulation of the estimated $500,000,000 spent annually in the Federal government for fire-related activities does not exist. However, we can present uncosted examples of fire prevention and control activities of other Federal agencies:

HUD has major involvement in fire prevention and control through its promulgation of national mobile home standards, and specification for Federally subsidized housing.

GSA writes the fire standards for Federal facilities and specifications for most fire safety products and system procurements by Federal agencies.

Fire safety elements are an integral part of many DOD programs, including highway safety, hazardous materials transportation, pipeline safety, airport development, railroad safety and the regulation of port facilities.

CPSC regulates and monitors the safety aspects of consumer products.

The Center for Fire Research Center (CFR) in the NBS has the primary charter for fire research and applications. CFR conducts a university research grant program through its Office of Extramural Research. Its fire science and fire safety engineering divisions conduct extensive research on behalf of many Federal agencies. Examples are:

HHS—Design concepts for institutional occupancies,
HUD—Building standards, mobile home standards,
CPSC—Flammable fabrics standards,
Navy—Shipboard fire problems,
DOT—Support to FAA and Coast Guard,
FTC—Technical support for the evaluation of the toxic products of materials combustion.

NBS/CFR provides research and testing of products and materials in order to develop technical performance standards. It works closely with Underwriter's Laboratory and Factory Mutual to develop a consensus on these standards.

NBS/CFR has a long history in the development of building codes and standards. It works closely with state and city code officials, ITBO, councils of American building officials, ASTM and NFPA to assure adoption of these codes and standards.

LEAA has funded several million dollars in arson research and demonstration programs each year.

OSHA writes fire-safety regulations and standards for the workplace. More than 500,000 inspections of the workplace are conducted by the federal and state governments under OSHA's extensive enforcement system in a typical year.

NIOSH gathers and analyzes information and conducts health and safety research and proposes standards and criteria relative to fire hazards of workplace products, materials, equipment, facilities and general environment.

Mr. BOLAND. What do you see as the solution to this wasteful duplication of effort? What is the Fire Administration doing to combat this problem?

Mr. MORELAND. Not nearly enough. We have one person who has as essentially part of his function, responsibility for providing the interagency coordination. We do that through an interagency council in an attempt to exchange information on who is doing what. We have an initiative underway which has not produced results as yet, but it will, and that is getting those Federal organizations who have fire research programs to start reporting consistently their research efforts to the Smithsonian Institution computer and get their report out and make use of it generally. We do not have the capability to maintain a current set of information on totality of research, even major research going on in this area. It is one we are sensitive to and will be working with, and I think the total FEMA effort will show results, but we have not done a good job to date.

Mr. BOLAND. The next paragraph indicates that the Fire Administration seeks to improve fire and building codes and inspection programs by working with manufacturers, the construction industry, consumer groups, and others. I presume you have some interface with the National Institute of Building Sciences?

Mr. MORELAND. Yes, we participate fully in the voluntary standards process. We have several programs that feed into that process.

[CLERK'S NOTE.—Subsequent to the hearing, FEMA supplemented its response with the following:]

The U.S. Fire Administration has interacted with the National Institute of Building Science (NIBS) in several ways. First, a previous USFA Administrator (Tipton) served on the NIBS Executive Council while Administrator. This involved a high level advisory role. The second relationship with NIBS has been to have them assist the Fire Administration in locating experts and assembling technical advisory committees for our grant programs.

Mr. BOLAND. The last paragraph on the page states that the Fire Administration will "maintain a network of trained, fire investiga-

tors on standby to conduct uniform investigations of major fires that occur and fires representing the leading cause categories."

What is the status of the trained investigator force?

What is its annual cost?

Mr. MORELAND. Our investigative program is really composed of representatives of the Fire Administration, those of the National Bureau of Standards Fire Research Center, and the private group. Each year we have a contract where we jointly investigate major fires which meet a certain prescribed criteria, ten deaths or more, for example; about $70,000 is the price associated with the contract.

Mr. BOLAND. Did these investigators provide assistance in the recent Las Vegas, Nevada fires?

Mr. MORELAND. Yes.

Mr. BOLAND. Page 207 is the tabular summary of the National Fire Academy.

Explain the $14,000 carried forward for Academy renovation.

When were these funds appropriated?

[The information follows:]

NATIONAL FIRE ACADEMY RENOVATION CARRY-FORWARD FUNDS

The $14,000 reflected in the fiscal year 1981 column for Academy renovation results from the requirement for the fiscal year 1980 column to agree with the Treasury Combined Schedule. The figure from this schedule was $2,713,000. The actual amount carried forward into fiscal year 1980 was $2,727,000—hence the difference of $14,000. This amount was carried forward into fiscal year 1981.

These funds were appropriated in fiscal year 1978 as a three-year (fiscal year 1978–fiscal year 1980) multiple-year appropriation.

MARJORIE WEBSTER

Mr. BOLAND. Page 208 indicates that the Fire Academy can support 6,000 students. I assume this is an annual figure.

How many students can the Academy accommodate at one time?

Mr. MORELAND. Five hundred.

Mr. BOLAND. During last year's hearing, the Fire Administration witnesses indicated that they hoped to settle the Marjorie Webster real estate transaction very soon. I understand that the settlement has still not occurred.

Is $2.9 million still a reasonable price for the Marjorie Webster site?

Mr. MORELAND. Probably not. It is probably too high. The problem with the property is that it is not extremely attractive or particularly valuable based on potential for development either as an educational institution or subdividing the property. There are dozens of potential purchasers out there who are extremely interested and are willing to make contracts to buy it. But any contract is conditioned on the ability of the purchaser to acquire District of Columbia zoning. The history of the neighborhood groups has been such that they have been very active in some cases, strongly resisting intended use, and it has served as a real disincentive on the market. We did have a contract, we have had several contracts on this property, all of which have fallen through on day zero because of the feeling by the purchaser they would not be able to acquire the zoning from the District of Columbia or would not be able to carry the property for the period of time it would take to do so.

Mr. BOLAND. Why don't you give it to the District of Columbia and let them handle it?

Mr. MORELAND. We need $2.9 million to carry out the mandate of this Committee.

Mr. BOLAND. Last year Mr. Vickery indicated, ". . . when I get back from this meeting I will sign the contract for sale of Marjorie Webster for $2.9 million, with the sale to close on June 15."

Page 207 indicates that permanent positions in headquarters devoted to Academy operations change from 48 in the 1981 budget estimate to 37 in the 1981 current estimate.

What is the significance of that change?

Mr. MORELAND. As a result of the reduction in the ceiling directed from within FEMA, the result of it is a little more difficult to define. We can to some degree rely on adjunct faculties to pick up the slack. To the extent we can compensate that way, we have been doing so.

Mr. BOLAND. I have several questions to be answered for the record at this point.

[The questions and answers follow:]

Question. On Page 209 appears the detail for the residential fire safety activity. $278,000 is requested for the Office of Planning and Education.

Detail how these monies will be used. Why are they necessary as a separate activity within residential fire safety?

Answer. The $278,000 requested for the Office of Planning and Education will be used to develop and/or disseminate residential fire safety education programs targeted at specific high risk groups (e.g., young children, rural, minority) and at specific fire problems (e.g., heating, cooking, smoking).

Specifically these funds will be used for:

Dissemination of a rural module for inclusion in a home safety survey program. Home safety surveys conducted by local fire departments often using civilian personnel have resulted in fire loss reductions of over 60 percent in urban areas. The rural module currently being field tested notes fire hazards which are unique to rural or farm areas and provides information on how these hazards can be avoided or corrected.

Dissemination of Sesame Street fire safety materials for use in day care centers to teach young children about fire safety. Segments on fire safety have been developed and shown on the popular Sesame Street program. Supplementary materials for use by care givers of young children are currently being developed and field tested. These materials will be suitable for use by parents and day care or fire department personnel to teach children fire safety and fire escape procedures.

Development of proto-type fire education materials for low income minorities. Fire education materials targeted at specific ethnic groups (e.g. black, Spanish-speaking) are limited. Yet these groups constitute high fire risk areas in many communities. Proto-type materials for high risk groups will be developed.

Development of fire cause media kits for use by local fire departments. Most fire departments have access to local media outlets which can be used to reach the public with messages targeted at major residential fire causes. Media kits make professional quality topical media messages (PSA's) and back-up materials available to local fire departments at a cost they can afford.

Education of the public about fire safety is critical if residential fire losses are to be reduced. Funds for public education are specified as are funds for data collection, research and training.

Question. How many States require smoke detectors or sprinkler systems for new residential construction, and what activities does the Fire Administration have underway to encourage such legislation?

Answer. A report published by the United States Fire Administration in June 1979 states that:

"Smoke detectors are required in new, residential construction in twenty-two States plus the District of Columbia. Idaho, Minnesota, and New York could be added to this category since major portions of these states enforce non-binding state laws.

"Legislation was pending in nine States that had no smoke detector regulations. Twenty-four States have incorporated or referenced some type of model code or

standard in their detector laws or have adopted these codes as recommended guides. Seven states have adopted minimum/maximum codes; five states and the District of Columbia have made provisions for existing residential structures in their legislation. There are still 21 states which make no provision for smoke detectors in their statutes."

Requiring Sprinklers:

None—California State Fire Marshal is preparing a draft code to be submitted to the California State Legislature.

SMOKE DETECTORS

1. Grant to IAFC Foundation to "Study the Effectiveness of Smoke Detectors," i.e., to determine how they function under fire and non-fire conditions.
2. Grant to National Conference of State Legislators for "Smoke Detectors Legislation" update.
3. A wide variety of publications have been produced by the United States Fire Administration which directly or indirectly encourage smoke detector legislation. These reports include: Report to Congress on Fire Protection Systems: Detectors, Remote Alarm Systems, and Sprinklers, and Residential Smoke Alarm Report.

SPRINKLERS

The United States Fire Administration has 13 current projects to improve sprinkler technology, to save human life and property, which will encourage and make possible legislation at the State and local level.

In addition, the USFA has funded a comprehensive series of fire tests which were used in developing the New NFPA 13D (1980) Residential Sprinkler Standard, which may be adopted by reference.

Mr. BOLAND. Page 212 is the object class summary for the Fire Prevention and Control activity. The amount for grants, subsidies, and contributions increases from $2.9 million in 1981 to $4.4 million in 1982.

What is the reason for this significant change?

Mr. VOLLAND. The increase is basically, Mr. Chairman, in the area of cooperative agreements.

Mr. MORELAND. And the student stipend program, also.

DISASTER RELIEF ADMINISTRATION

Mr. BOLAND. Turn to Disaster Relief Administration, on page 214. The 1982 total request is $5,294,000, a decrease of $1,008,000 from the 1981 current estimate. The 1981 current estimate reflects a net decrease of $2.4 million from the budget estimate.

What are the reasons for these decreases?

Mr. VOLLAND. The decrease in the budget estimate for 1981 relates to the consolidation of funds under the Management and Administration activity, and the decrease between 1981 and 1982 is just an assessment of the overall reduction applied by OMB to the appropriation.

Mr. BOLAND. Page 216 contains the following statement: "A management and technical review is underway which will provide for unified information systems management. Funds for this developmental process have been budgeted in this appropriation for fiscal year 1981 and fiscal year 1982."

What are the objectives of this review, and what funds are being devoted to it in 1981 and 1982?

Mr. VOLLAND. $314,000 in 1981 and $986,000 in 1982.

Mr. BOLAND. And the purpose of the review?

Mr. CASEY. To provide us with real time, on-line information.

Mr. BOLAND. The last paragraph on this page describes the Individual Assistance Computerization Project. Please detail for the

record how the current system operates and the expected improvements with this particular project.

[The information follows:]

COMPUTER PROJECT

The current system is an interactive, on line, remote transmission system with centralized processing. The centralized processing unit is an IBM 1100 series computer which we began using approximately ten years ago. The programming for data manipulation on this machine has evolved over this same ten year period. In addition, although this is a Federal facility, we are in a time sharing mode, competing with other Federal processing activity. Time sharing is not conducive to rapid delivery of disaster assistance. Finally, the system is not reflective of technology and programming advances made in the last ten years.

The proposed system or set of systems will be real time interactive and on line or having both on line and batch transmission capability and will rely on technology advanced more recently, particularly data base management. Among the goals for this integrated system are more rapid response time, system dedication, ad hoc reporting capability, ease of operation, and document tracking such as that for an individual disaster victim or damage survey report for a restoration project.

Mr. BOLAND. Why has the "other services" amount for Disaster Relief Administration increased threefold from $314,000 in the 1981 current estimate to $926,000 in the 1982 request?

Mr. VOLLAND. All for the project we just discussed, Mr. Chairman.

Mr. BOLAND. Is that the total cost?

Mr. VOLLAND. Yes, sir.

Mr. BOLAND. What about printing and reproduction, which goes from $20,000 in the 1981 current estimate, to $175,000 in the 1982 budget. What is the reason for this?

Mr. VOLLAND. The 1982 printing request includes a $75,000 estimate for the cost of combined application verification process forms and manuals; $76,500 for printing revised public assistance handbooks; and $23,500 for reprinting individual assistance handbooks.

Mr. BOLAND. Personnel compensation amounts in 1981 and 1982 vary considerably when compared with average workyears. For example, the total $4,798,000 in the 1981 current estimate will support 164 workyears, for an average cost per workyear of $29,256. However, the 1982 total for personnel compensation of $3,562,000 will only provide for $21,588 on the average, for each of the 165 workyears.

How do you explain this?

Mr. VOLLAND. This is again the process of factoring that we discussed before, based on the successive 1981 reductions and the total mark we have for 1982.

MANAGEMENT AND ADMINISTRATION

Mr. BOLAND. Turn to Management and Administration beginning on page 219. This activity is increasing dramatically in 1982 to $27,560,000, from a 1981 current estimate of $14,750,000. The 1981 current estimate in turn, reflects a $3,794,000 net increase above the 1981 budget estimate.

How much of both the 1981 change and the 1982 request reflects an honest accounting of the Agency's current operations, and how much a true increase in management activities?

Mr. VOLLAND. If we were to add into the current estimate, 1981 column, all the activities which are included in the budget estimate

column, the total would be $26,541,000 plus. So there is approximately a one million dollar increase.

Mr. BOLAND. Has the identification of all management and administration activities within the Agency been useful? In other words, has the management of the agency improved due to the identification and accounting of all management and administration resources?

Mr. VOLLAND. This is the first year this has been laid out. We expect since the numbers have been consolidated, the new management will want to take a closer look at it this year and in subsequent years.

Mr. BOLAND. Page 220 details the $800,000 congressional reduction applied to the 1981 appropriation request. Exactly how was the reduction applied to FEMA's activities?

Mr. VOLLAND. It was all taken out of this appropriation. I would have to identify it for the record specifically.

[The information follows:]

The reduction was applied to salaries and benefits for Management and Administration.

FEMA ADVISORY BOARD

Mr. BOLAND. Page 222 indicates that in 1982 the Office of the Director will activate and utilize the FEMA Advisory Board.

What is the function of and authority for the Advisory Board?

Mr. VOLLAND. It is a group of distinguished members of the academic and scientific community which provides the Director with advice and guidance on how FEMA is implementing its programs and advice on program levels and Agency operations generally.

Mr. BOLAND. You anticipate spending $69,000 in 1982. Is that correct?

Mr. VOLLAND. I would like to confirm that for the record.

Mr. BOLAND. Also indicate for the record the names of those who serve on the advisory board.

[The information follows:]

FEMA ADVISORY BOARD

$69,000 is for the FEMA Advisory Board in 1982. The board members are as follows:

Dr. Wesley W. Posvar, Chairman, Chancellor, University of Pittsburgh.
Dr. Harold M. Agnew, President, General Atomic Co.
Dr. William O. Baker, Chairman (Ret.), Bell Telephone Laboratories.
Mr. Robert R. Everett, President, MITRE Corporation.
Dr. Alexander H. Flax, President, Institute for Defense Analysis.
Hon. Arthur S. Flemming, Chairman, U.S. Commission on Civil Rights.
Lt. General Andrew J. Goodpaster, Superintendent, United States Military Academy.
Professor Samuel P. Huntington, Frank G. Thomson, Professor of Government, Director, Center for International Affairs, Harvard University.
Mr. Herman Kahn, Chairman and Director of Research, Hudson Institute.
Lt. General Glenn A. Kent, President, Glenn A. Kent Associates.
Hon. Edward A. McDermott, Hogan & Hartson.
Maj. Gen. Otto L. Nelson, Jr. (Ret.), Past Chairman, Program Advisory Committee OEP/FPA.
Hon. Paul H. Nitze, Consultant.
Hon. Steuart L. Pittman, Shaw, Pittman, Potts & Trowbridge.
Dr. Albert M. Stone, Director of Advanced Research Programs, Applied Physics Laboratory, the John Hopkins University.
Professor Ithiel de Sola Pool, Arthur & Ruth Sloan Chair, Department of Political Science, Massachusetts Institute of Technology.

Dr. Edward Teller, Senior Research Fellow, Hoover Institution, Associate Director Emeritus, Lawrence Livermore National Laboratory.
Dr. Eugene P. Wigner, Professor Emeritus, Physics Dept., Princeton University.
Dr. Sidney G. Winter, Professor of Economics, Organization & Management, School of Organization and Management, Yale Universtiy.

SES BONUSES

Mr. BOLAND. Page 223 indicates that $130,000 will be used for Senior Executive Service bonuses in 1982.

How many SES positions does the Agency have currently?

Mr. VOLLAND. Fifty-seven, sir.

Mr. BOLAND. You may correct that for the record if it needs correcting.

[The information follows:]

FEMA currently has 61 SES Positions.

Mr. BOLAND. What was the comparable amount of SES bonuses for 1981.

Mr. VOLLAND. The actual amount paid out in 1981 was $71,000. I believe the $130,000—and again I will confirm this for the record—was the maximum that could be paid based on the formulas which govern the distribution.

Mr. BOLAND. What was the largest single bonus paid by the Agency?

Mr. VOLLAND. $10,023.

Mr. BOLAND. What was the average bonus?

Mr. VOLLAND. Something less than $10,000.

Mr. GALLAGHER. Ten people received bonuses in 1980.

Mr. VOLLAND. Averaging approximately $7,000.

SLUC

Mr. BOLAND. Turn to the object classification on page 226. The 1982 agency total for standard level user charges is $4,199,000: the comparable 1981 amount is $4,371,000. Most of the agencies appearing before the Subcommittee have experienced significant increases in their SLUC rates, some as much as 20 to 30 percent.

To what do you attribute the decline in 1982?

Mr. VOLLAND. Well, the decline is basically the reflection both in 1981—it is a little difficult to track in 1981—and in 1982 of the fact that a couple of buildings which we occupied in 1980, we no longer occupy. That is fundamentally the reason.

Mr. BOLAND. Indicate for the record the total amount of square footage you occupy in 1981 and what you will occupy in 1982.

[The information follows:]

FEMA will occupy 609,543 square feet in 1981 and 578,252 square feet in 1982.

Mr. BOLAND. That completes the hearings for this afternoon. We stand adjourned until ten o'clock tomorrow morning.

SURVEYS AND INVESTIGATIONS STAFF REPORT

WEDNESDAY, MARCH 18, 1981.

Mr. BOLAND. The Committee will come to order.

We will begin this morning with the Surveys and Investigations Staff report on the civil defense program of the Federal Emergency Management Agency.

This Committee has been critical of the Federal Emergency Management Agency's civil defense program since receiving jurisdiction for the program in 1979. The Committee recommended an $8 million reduction in FEMA's fiscal year 1980 civil defense appropriation request. This action was actually further reduced in conference with the Senate. Last year, the Committee recommended a $23 million reduction in the civil defense program, which would have roughly maintained the 1980 level. A floor amendment, which I accepted, restored the program to the requested level.

Last October, this committee directed the Surveys and Investigations Staff to examine FEMA's civil defense program. The investigation was targeted to four areas: an analysis of State and local emergency management assistance; an assessment of nuclear civil protection planning; an appraisal of the Federal-State-local civil defense communications network, including the efficacy and potential cost of a nationwide system of emergency operating centers; and an analysis of the research and systems development supporting the civil defense program.

I might say, we take great pride in the Surveys and Investigations Staff of this Committee: it is headed by very able men, assisted by FBI and GAO personnel; and it is an effective way by which we can have oversight of some of the agencies which come within the purview of this Committee. We are not interested in meddling in the administrative operations the agencies that come to this Committee for funding, although we are motivated by a strong obligation to ensure that monies appropriated for those agencies are spent efficiently and effectively for their intended purposes.

Again, let me say that the Subcommittee takes particular pride in the Surveys and Investigations Staff of the Committee. We have benefited enormously in the past from their advice and counsel, and in many instances so have the agencies involved.

CIVIL DEFENSE PROGRAM

Let's turn now to the investigative report. Copies were made available to the Federal Emergency Management Agency this past Monday. The report is, I believe, a highly constructive analysis of this country's civil defense posture. It points out certain positive areas as well as highlights certain deficiencies, some of which are rather significant.

The investigators state that the repeated reorganization of civil defense functions—this has been a problem in this program, and an awful lot of money has been a major cause of waste in the program; nobody can quarrel with that—as well as the erratic and inconsistent funding levels, have damaged the program's capability in the past.

On page three of the report, in the next to the last paragraph, the Investigations Staff recommends "the Federal Government commence an effort toward gradually neglecting the term "Civil Defense" and substituting a new term that more clearly defines and accurately describes joint emergency and disaster preparedness

efforts." The 1981 civil defense authorization bill formally encouraged this type of a dual-use concept.

What is your judgment on that particular recommendation?

Mr. McCONNELL. Mr. Chairman, we certainly do not disagree with it. It is a trend that began even before the formation of FEMA. It has been confirmed by the Congress and recognized by State and local governments in implementing any emergency program that they cannot have two sets of emergency preparedness people or facilities, one to deal with civil defense, which by the Federal definition is preparedness against attack on the United States, and another for their localized emergencies caused by natural disaster and so forth. So the trend began some five or six years ago for those agencies to change their names to such things as Emergency Services, Emergency Management Agency. In some cases they retained the term Civil Defense along with Emergency Services. The advent of FEMA, is attempt by the executive branch to consolidate a focal point for the dealing with the States and emergency preparedness for both peacetime and wartime disasters. The name Federal Emergency Management Agency, has a tendency to translate itself down through State and local governments to that term. So many state and local agencies are already changing their names to emergency management agencies.

EMERGENCY MANAGEMENT ASSISTANCE

Mr. BOLAND. Page nine discusses the Emergency Management Assistance program. Paragraph C addresses the EMA involvement in crisis relocation planning, and states that FEMA's guidance in the preparation of plans "has occurred only on a limited scale and appears to have been more the exception than the rule." The last paragraph on the page addresses the second objective of crisis relocation planning, protecting people in a low risk host area as opposed to at or near a place of residence, and states that the Emergency Management Assistance program is coming under intense scrutiny and criticism because EMA personnel are not seen as cost-effective in producing readiness. This is a rather serious charge, because Emergency Management Assistance represents approximately one-third of FEMA's civil defense budget.

How do you respond to this criticism?

Mr. McCONNELL. Mr. Chairman, that is a perception which could be found by people looking at it superficially.

You will find other language in this report which acknowledges the fact that both State and local governments and the emergency planning managers at the national level in FEMA recognize that any emergency preparedness measure taken by States and local government, whether it be for peacetime disaster or wartime disaster, contributes to the other. A basic emergency management system which allows executives to inform the public, give instructions to their departments and agencies who operate in emergency conditions, to assess the situation, is all-encompassing, as far as any emergency is concerned. So, what may appear to be a diversion, a major diversion in some communities, of attention to national disaster preparedness or local emergencies does contribute to their basic ability to deal with nuclear attack.

It is true with the budget level FEMA has been subjected to in recent years and using crisis relocation as a major factor in the protective equation against nuclear attack, we have not been able to address all communities in the United States simultaneously. We had to establish priorities dealing first with the counterforce areas and some of the major cities. We will be going to more major cities in the latter part of 1982. But while we have been giving our concentrated attention to crisis relocation in certain areas, we have had to stimulate a basic emergency management development in communities we could not deal with directly.

So eventually, especially with the advent of a mini-CRP program which we will probably discuss in some detail later——

MINI-CRP

Mr. BOLAND. How would you describe a mini-CRP program?

Mr. MCCONNELL. This was devised to attend to the situation I just described, since we can deal in detail with only a few communities at a time. We need to develop a rudimentary capability in as many communities throughout the United States as possible, hopefully all of them who need to have either an evacuation plan or a hosting plan for evacuees, so if something happens in the meantime, before we assist them in detail planning, they will have this rudimentary plan which will work to some degree.

It can be described as about 15 percent of a total refined or detailed crisis relocation plan.

Mr. BOLAND. I presume, then, that you believe the Emergency Management Assistance personnel are capable of adequately preparing mini-crisis relocation plans?

Mr. MCCONNELL. Yes, sir. We recognize the investigating committee's comments in that regard, but we also recognize the fact that each State deals with its situation differently and each community in each State has a different situation and a different degree of capability and intellect as far as emergency preparedness is concerned.

Mr. BOLAND. Do you believe FEMA guidance to State and local emergency management personnel is adequate?

Mr. MCCONNELL. We believe it is to the extent the level of progamming is being carried on today. We have a program management system which is recognized by the investigating committee as being pretty fair. It forms a relationship that works down through the States to the local communities and back up for program management. It includes guidance and assessment of progress.

IMPROVEMENT OF EMA PROGRAM

Mr. BOLAND. Still on page nine, the report addresses an analysis prepared by the Plans and Preparedness Division which attempted to determine if the Emergency Management Assistance program provided the best possible results for funds expended. Quoting from page 12:

> The report concluded that: there is a clear need for the EMA program; EMA funds support State and local government personnel primarily engaged in peacetime emergency management and planning; . . . the EMA program could be improved in the following areas: (1) discontinue the provision of EMA funds to localities of less than 5,000 population since they have little operational capability; (2) discontinue funding of the staff of volunteer directors; (3) discontinue State directors from

exempting local directors from an approved merit system; (4) discontinue funding of localities that budget less than $5,000 (local share) for civil preparedness; . . .

The report also indicated that half of the employees at the local level supported by Emergency Management Assistance funds are part-time employees.

How great a problem, if any, is the part-time employees issue?

Mr. McConnell. First may I address the first part of your comment?

Mr. Boland. Yes.

Mr. McConnell. The elements of that paper, and it was not necessarily a study, were prepared in my office in the early part of calendar year 1980. There were eight options listed as possible considerations for not only improving the EMA program, but also reducing the cost. The pressure was great at that time from the new director of FEMA to reduce this large element of the FEMA budget, which as the Chairman recognized, is about a third of the civil defense budget.

So, this was an attempt to do that and to list all the possible considerations that might come under review. It was not an articulate study with pros and cons. It was merely a list that was sent out to our regional offices for comment. It made its way prematurely to State and local governments, who protested vehemently over the so-called recommendations.

Mr. Boland. Well, you would expect that, wouldn't you?

Mr. McConnell. Absolutely, sir. But some of these concerns for cost are still under consideration. However—now I will address the second part of your comment.

Mr. Boland. Let me also call attention to the second paragraph on page 13:

Based upon a review of the analysis by various FEMA elements—10 at headquarters and 9 regions—the study results were held as inconclusive by the P&P staff. Consequently, no action has been taken by FEMA regarding the study results.

Mr. McConnell. That is correct.

Mr. Boland. Were none of the recommendations prepared by the Plans and Preparedness Division put into effect? What was your opinion on these?

Mr. McConnell. To the extent that the objective was to reduce the funds, I did not agree with any of them. To the extent that they addressed an improvement in the cost-effectiveness or the assurance of an effective return for the Federal dollar, there are some that were considered and are being followed.

DISCONTINUANCE OF EMA FUNDS TO CERTAIN LOCALITIES

Mr. Boland. Do you support the P&P's recommendation concerning discontinuing EMA funds to certain localities?

Mr. McConnell. If they are ineffectively following a program direction. We have a very well-established program system which allows us to do that.

Mr. Boland. You can do that administratively?

Mr. McConnell. We can do it administratively; however, we attempt to get the State to perform its management responsibilities in doing it.

Mr. Boland. What has been their response?

Mr. McCONNELL. In past years, not much, but in current years, very much. For example I attended a state-wide meeting in Nashville, Tennessee last Friday, a week ago. I was very, very pleased to hear the State director and the State Adjutant General again under whom the State director works describe their mandatory requirements, not only to the civil defense people but judges and county commissioners, many of whom were present. They would not tolerate ineffectiveness or lack of effective use of the funds either State or Federal. The State director announced at that time the elimination of six counties for Federal funding support for this current year as a result of the review of their program last year. So it is turning and I believe turning effectively.

Mr. BOLAND. How do you respond to this passage?

These changes would have the following effects: (1) 110 localities with volunteer directors would drop out; (2) 1,381 localities with part-time directors would drop out; (3) 278 localities with population under 5,000 would drop out; and (4) an estimated 100 would drop out because of lack of merit system coverage.

This would leave a hard core of 923 viable local emergency preparedness organizations. It would decrease EMA funds by an estimated $14.0 million. Presently, when a disaster occurs in smaller localities, it is the State Police, National Guard, and State emergency preparedness staff which manage response to the disaster because of the lack of local qualified manpower and resources. However, the increased State workload is estimated to require $5.4 million of the estimated $14 million decrease in EMA funding. This increase in the strength of professional, full-time State staffs would result in better emergency management of disasters in smaller communities. State staffs will also be available to promote increased attention and support in those large communities which are lagging in their effort.

What about this?

Mr. McCONNELL. First, allow me to address the decision-making process in eliminated communities. All those elements described as criteria for having a community not being supported by Federal funds are arbitrary and capricious. They have absolutely nothing to do with the merits of a volunteer worker or the capability of a part-time paid civil defense director. The ultimate aim and objective is an effective program. If he can carry on an effective program and get only ten percent of his salary paid by the Federal government and still work effectively with other departments and volunteer agencies to carry on an effective program, it is money well spent.

PART-TIME STATE AND LOCAL EMPLOYEES

Mr. BOLAND. But the problem is, how effective have those programs been with part-time employees or part-time volunteers?

Mr. McCONNELL. It is a mixed bag. We will find very effective programs in some communities with part-time personnel. We will find some fairly ineffective programs in other communities with full-time personnel; we also can identify communities which because of the State have successful programs without Federal funds. But it is a completely mixed bag and each case must be individually assessed.

Mr. BOLAND. It would seem that the ineffectiveness of the programs in these areas is the State's responsibility.

Mr. McCONNELL. That is right, sir.

Mr. BOLAND. Apparently that responsibility has not been adequate in many instances.

If all of the recommendations contained in the FEMA report were adopted, it would decrease Emergency Management Assist-

ance funds by an estimated $14 million, according to the investigative staff. However, the state emergency preparedness staff would have to be better prepared because some of the localities would be less prepared. This increased state workload is estimated to require $5.4 million, an offset to the $14 million decrease.

What about putting this recommendation into effect by decreasing the program by $14 million, and offsetting that with an increase for those activities that support the National Guard, State Police, and State emergency preparedness staff? Why shouldn't the Committee make these funding changes in the 1982 Appropriation bill to put this recommendation into effect?

Mr. McCONNELL. Sir, it is my firm belief that the program is underfunded now. First of all, because of the lack of keeping up with the inflation factors in recent years there are communities that are still participating and doing a good job where they are getting not even 50 percent of their salaries paid and the community is actually continuing to support them in many cases, paying more than 50 percent.

There are communities that now recognize the need for having an emergency services director of some kind who want to enter the program and should enter the program with a full-time emergency preparedness staff.

ELEMENTS OF P&P IN FAVOR OF AND OPPOSED TO RECOMMENDATIONS

Mr. BOLAND. We know that the results of the Plans and Preparedness study were held as inconclusive by the P&P staff, and no action was taken by FEMA. Which parts of the agency were in favor of the study's recommendations, and which parts of the agency were opposed to those recommendations?

Mr. McCONNELL. I can provide that for the record, sir.

[The information follows:]

INTERNAL P&P COMMENTS ON EMA OPTIONS PAPER

Some parts of Plans and Preparedness responded to this paper; however, no separate record of their comments has been retained.

Mr. McCONNELL. We did ask for comment from all the agencies of FEMA, as well as from our regional offices. The comments were mixed. For one thing, elements of FEMA that have no direct connection with or knowledge about the program were permitted to comment and generally were in favor of the options because they would reduce the cost and might make those funds available to somebody else in the Agency.

So I do not give much credibility to the comments we got back on the elements.

Mr. BOLAND. They were not very helpful?

Mr. McCONNELL. That is correct. Let me point out again, this was not a definitive study. It was not made indepth. It was merely a series of optional considerations that might be taken.

Mr. BOLAND. But a number of the recommendations appear to be feasible, and appear to lead possibly to a better civil defense program at less cost.

Mr. McCONNELL. Not necessarily at a lower cost. The one that I would give much credit to is item number seven, for example,

which says to rigorously review and analyze program papers and staffing patterns.

We felt, or the people who wrote those recommendations felt, that perhaps the States and our regional offices had not been giving enough attention to a detailed review of the proposed workload for communities and the results of that so-called promise.

Mr. BOLAND. Would that be due to a lack of personnel?

Mr. MCCONNELL. Not necessarily, just a lack of priority attention, and this has been improved.

Mr. BOLAND. You indicated you would like to respond for the record to the varying positions taken by those in the Plans and Preparedness Division. Have the record reflect the positions of those who were involved in this analysis, on the eight study recommendations that are listed here.

Mr. MCCONNELL. I will, sir. That information was made available to the investigating committee.

[The information follows:]

FEMA COMMENTS ON EMA OPTIONS PAPER

The following chart shows a summary of the responses of various FEMA elements, and the following pages show their comments on the options in the report.

P&A STAFF STUDY
Headquarters and Regional Comments*

CONCLUSIONS

			Concur	Noncur
Conclusion #1:	Discontinue funds to localities under 5,000 population	Hqs	2	5
Consensus:	CRP - small localities for host areas; decimate State capability	Reg	4	3
Conclusion #2:	Discontinue funding staff of volunteer directors	Hqs	1	4
Consensus:	No general consensus	Reg	3	3
Conclusion #3:	Discontinue merit exemption of local directors by State directors	Hqs	1	5
Consensus:	Political clout; more leadership; executive appoint own staff	Reg	2	3
Conclusion #4:	Discontinue funding localities with budgets under $5,000	Hqs	1	4
Consensus:	Decimate State capability; small budgets-viable programs; $5,000 too high	Reg	2	5
Conclusion #5:	Discontinue funding part-time directors	Hqs	0	6
Consensus:	Loss of P&A participants; limit part-time to 50% (5 elements recommend 50%)	Reg	2	5
Conclusion #6:	Increase strength of State-State Area organizations	Hqs	4	2
Consensus:	All agreed in theory, but majority believed it would not work	Reg	2	6
Conclusion #7:	Program papers, staffing patterns be rigorously reviewed	Hqs	3	0
Consensus:	FEMA promulgate rigorous, national review standards; revise program papers	Reg	6	0
Conclusion #8:	Program performance be continually audited, reviewed	Hqs	3	0
Consensus:	This should be accomplished by program managers	Reg	4	0

*19 FEMA elements submitted comments - 10 Headquarters, 9 Regions

HEADQUARTERS

Concur - Do Not Concur in Conclusions

1. Discontinue the provision of P&A funds to localities of less than 5,000 population since they have little operational capability.

Concur

Training and Education
Director of Personnel
Inspector General
Office of Equal Opportunity
Program Analysis and Evaluation

Do not concur

Mitigation and Research
Operations Support
Finance and Administration
Fire Administration *
General Counsel

2. Discontinue funding of the staff of volunteer directors.

Concur

Training and Education
Director of Personnel
Inspector General
Office of Equal Opportunity
Program Analysis and Evaluation
General Counsel

Do not concur

Mitigation and Research
Finance and Administration
Operations Support
Fire Administration*

3. Discontinue the exemption of local directors by State Directors from an approved merit system.

Concur

Training and Education
Director of Personnel
Inspector General
Office of Equal Opportunity
Program Analysis and Evaluation

*Against any restructuring

Do not concur

Mitigation and Research
Finance and Administration
Operations Support
Fire Administration*
General Counsel

4. Discontinue funding of localities that budget less than $5,000 (local share) for civil preparedness.

Concur

Mitigation and Research
Director of Personnel
Inspector General
Office of Equal Opportunity
Program Analysis and Evaluation
General Counsel

Do not concur

Finance and Administration
Operations Support
Training and Education
Fire Administration*

5. Discontinue the funding of part-time directors.

Concur

Office of Equal Opportunity
Director of Personnel
Inspector General
General Counsel

Do not concur

Training and Education
Program Analysis and Evaluation
Operations Support
Finance and Administration
Mitigation and Research
Fire Administration*

6. Increase the strength of the State and State Area emergency management organizations to provide personnel needed to coordinate preparedness for the smaller localities and rural areas.

Concur

Mitigation and Research
Operations Support
Training and Education

Office of Equal Opportunity
Director of Personnel
Inspector General
Program Analysis and Evaluation
General Counsel

Do not concur

Finance and Administration
Fire Administration*

7. Program papers and staffing patterns be rigorously reviewed and analyzed; there will be no automatic approval of an annual submission merely because a locality participated the previous year.

Concur

Mitigation and Administration
Training and Education
Office of Equal Opportunity
Director of Personnel
Inspector General
General Counsel
Program Analysis and Evaluation

No comment

Finance and Administration
Operations Support
Fire Administration

8. Program performance be continually audited against progress achieved in meeting the project objectives stated in the program paper.

Concur

Director of Personnel
Office of Equal Opportunity
Training and Education
Mitigation and Research
Inspector General
Program Analysis and Evaluation
General Counsel

No comment

Finance and Administration
Operations Support
Fire Administration

Comments on Conclusions

1. Discontinue the provisions of P&A funds to localities of less than 5,000 population.

Concur

Training and Education (T&E): This action needs to be phased out over a couple of years; make every effort to have county directors take over responsibilities of small localities.

Program Analysis and Evaluation (PA&E): There should probably be some cut-off of population, but care must be taken not to decimate a State's capability, especially in small States where communities and even counties with a population under 5,000 are commonplace.

The other three offices (Personnel [OP], Inspector General [IG] and Office of Equal Opportunity [EO]) had no specific comments.

Do not concur

Mitigation and Research (M&R): A blanket denial to populations under 5,000 could be counter-productive, particularly in view of CRP where we plan to relocate people into sparsely populated areas. These areas should be considered on a case-by-case basis.

Operations Support (OS): In the absence of supporting evidence in the paper, it is difficult to accept the assertion that small localities, part-time volunteer and non-merit-system civil defense officials are not cost-effective. The smaller, more dispersed CD planning elements will have lower casualty rates in a massive attack; the recovery would be led by the survivor with some notion of the plans, rather than the expert who is dead.

Finance and Administration (F&A): It is appropriate for the Federal Government to contribute to the development and maintenance of a CD capability without at the same time specifying that this capability must be lodged in a particular organizational setting. States and local governments should be free to determine their own institutional framework. The Federal Government should "bite the bullet" and put 100 percent of the cost of achieving an acceptable level of capability in every State.

Fire Administration (FA): Opposed to the restructuring of the P&A program under this proposal as it would adversely affect local government as follows: placing emphasis on attack versus comprehensive disaster planning, and in smaller communities, P&A funds are used to provide essential administrative and operational support activities.

General Counsel (GC): Questions the relevance of determining participation on a population basis. Criteria should include such factors as governmental structure, civil defense assignments and needs peculiar to the area (e.g., host areas). In many cases, it may be that concentration of funding for a staff of medium to high level personnel at a county or district level would be more productive than dispersal of the Federal grant among numerous communities throughout the county or district.

2. Discontinue funding of staff of volunteer directors.

Concur

T&E: There is very real potential for abuse of the P&A system when we fund the staff of a volunteer director. There have been instances where such staff have been used exclusively by another local government service.

No specific comments by other offices (OP, IG, EO, PA&E, GC).

Do not concur

M&R: Volunteers are sometimes more dedicated and productive than paid staff. This policy could be construed as "FEMA has no interest in encouraging volunteers."

F&A: See Conclusion No. 1

OS: See Conclusion No. 1

FA: See Conclusion No. 1

3. Discontinue the exemption of local directors by State directors from an approved merit system.

Concur

T&E: To discontinue the merit system exemption of local directors might reduce some of the turnover which is currently between 17% and 20%.

Do not concur

M&R: It should be discretionary with the State. Exempt personnel are often an extra political power source.

OS: Granting the unevenness of quality in non-merit-system officials, it seems that the very manner of their appointment, as well as their smaller jurisdictions, means that they may be more apt to be responsive to two crucial requirements for leadership credibility and intimate knowledge of local institutions, conditions and resources.

GC: Although FEMA may legally decide not to apply any merit system standards to the P&A program, it may not provide for the application of standards other than in accord with OPM regulations. Therefore, OPM regulations permit waiver, upon request of local governments with fewer than 25 employees in covered activities, upon approval of the State (or by OPM).

F&A: See Conclusion No. 1

FA: See Conclusion No. 1

4. Discontinue funding of localties that budget less than $5,000 (local share) for civil preparedness.

Concur

M&R: With minimum of two fiscal years notice so they can plan for alternate funding.

Other offices (OP, IG, EO, PA&E, GC) had no specific comments.

Do not concur

T&E: Agree with establishing a base of community funding support, but $5,000 is not appropriate; would support a sliding scale that makes provision for different size communities. There is a minimum below which nothing much of consequence will occur.

F&A: See Conclusion No. 1

OS: See Conclusion No. 1

FA: See Conclusion No. 1

5. Discontinue the funding of part-time directors.

Concur

The four offices (EO, OP, IG, GC) had no specific comments.

Do not concur

PA&E: Recommend further study in this area to determine if a small community from 5,000 to 15,000 people arbitrarily requires a full-time director. Leave the door open for part-time directors in small communities, as many of these are located in host areas where majority of NCP work will be done.

T&E: It is possible for part-time directors to be effective. Limit part-time directors to full-time employed people, i.e., no director whose total is 10%; limit the part-time director to a minimum of 50%; a 10% or 20% director cannot accomplish much.

M&R: Should not be a blanket policy; sometimes they are the best you can get on a case-by-case basis.

OS: See Conclusion No. 1

F&A: See Conclusion No. 1

FA: See Conclusion No. 1

6. Increase the strength of the State and State area emergency management organization to provide personnel needed to coordinate preparedness for the smaller localities and rural areas.

Concur

M&R: Concur in strengthening State organization, but not at the risk of destroying or debilitating local response capability.

OS: The desirability of upgrading State staffs seems self-evident. Increase consistency of training and preparation of local officials, combine with increasing State area staffs, at some level between $4.5 million and $14.0 million.

T&E: No specific comments.

PA&E: At this time, many States do not have State area coordinators (usually due to budgetary reasons). States are not going to increase their staffs on a match funds basis unless extreme pressure is exerted at national level, or the increased staff is 100% Federally funded.

GC: The State area organization should be an official arm of State government, established by law, and Federal funds are to be paid only to the State's fiscal officer authorized to receive and receipt for Federal funds granted to the State; and consideration should be given to applying some proposal to county governments vis-a-vis small, local governments in the county area.

The other three offices (EO, OP, IG,) had no specific comments.

Do not concur

F&A: See Conclusion No. 1

FA: See Conclusion No. 1

7. Program Papers and Staffing Patterns be rigorously reviewed and analyzed; there will be no automatic approval of an annual submission merely because a locality participated the previous year.

Concur

M&R: Foremost question to be kept in mind during review process is "Does it serve FEMA's needs?"

T&E: It will take a lot more enforcement than just saying so. The first step is a rigorous set of criteria measures to be used for the review process.

GC: FEMA promulgates rigorous criteria and standards against which to make the required judgement.

The other three offices (EO, OP, IG) had no specific comments.

Do not concur

No negative reports.

No comment

Finance and Administration
Operations Support
Fire Administration
Program Analysis and Evaluation

8. Program performance to be continually audited against progress achieved in meeting the project objectives stated in the program paper.

Concur

IG: Should be changed to read "Program performance continually monitored and audited against progress achieved in meeting the project objectives stated in the program paper."

PA&E: Who would accomplish the audit function; how would progress be monitored; what would be the added cost?

GC: This proposal required by OMB Circular A-102.

Do not concur

No negative comments.

No comments

Mitigation and Research
Training and Education
Finance and Administration
Equal Employment Opportunity
Personnel office
Fire Administration

NUCLEAR CIVIL PROTECTION PLANNING

Mr. BOLAND. The second major area examined by the investigative staff was the assessment of nuclear civil Protection Planning. As page 17 indicates,

> [Crisis Relocation Planning] is not intended to provide a capability for rapid evacuation, as may be required in response to a threat such as flash flooding. Rather, the objective is to be able to evacuate risk areas in three days or less.

Approximately $66 million has been provided for Nuclear Civil Protection Planning between fiscal year 1976 and fiscal year 1981. The 1982 request is $8,260,000. The status of NCP planning in counterforce areas is described on page 18. Crisis relocation plans have been completed in only ten of the 61 counterforce areas.

Please describe what a counterforce area is for us.

Mr. MCCONNELL. Counterforce areas are where the missile fields are located, the SAC bases, and the nuclear submarine pens.

Mr. BOLAND. FEMA estimates that 163 man-years will be needed to complete Crisis Relocation Plans in counterforce areas. The Investigative Staff believes that 468 man-years would be required to complete the 329 plans.

What documentation does FEMA have to support its estimate of 163 man-years?

Mr. MCCONNELL. Sir, we have our experience in the past three years of work effort and work accomplished. We believe that the investigating committee perhaps exaggerated their estimate of the requirement for exercising the plans which is a requirement now and will be in the future. We certainly believe we are well on track with the estimates we have and with the 60 man-years we will put into the field this year in fiscal year 1981, that we will not only complete the counter-force areas to perhaps 95 percent but will be able to move in many States to the large metropolitan areas and begin the planning there.

Mr. BOLAND. If the Investigative Staff estimate is correct, that will require additional personnel and time, won't it?

Mr. MCCONNELL. If their estimate is correct——

Mr. BOLAND. Apparently, you feel that the estimate is exaggerated and overblown. That causes a divergence between the P&P group and the Investigative Staff conclusions.

Mr. MCCONNELL. We feel the Investigative Staff did not take into consideration the assistance that is rendered by the community itself, first from the Emergency Management Assistance people, who are supported by 50 percent Federal funds and work that has been done prior to the concentration of completion of planning in those areas.

Mr. BOLAND. What is FEMA's current estimate of the finishing date for all CRP's in counterforce areas?

Mr. MCCONNELL. The latter part of 1982.

Mr. BOLAND. Assuming the same level of funding, when would all plans in counterforce areas be completed if the Investigative Staff estimate is more accurate?

Mr. MCCONNELL. We would have to revise our whole program approach if the staff estimate is correct, and I do not believe it is.

Mr. BOLAND. Supply your opinion on that in more detail for the record.

[The information follows:]

COMPLETION OF COUNTERFORCE AREA CRP'S

When the fiscal year 1982 budget justification was first prepared, FEMA had identified 51 areas as counterforce. In subsequent discussions with DoD it was agreed in December 1980 to include ten additional areas as counterforce raising the total to 61. In February 1981, DoD recommended further changes by adding eight new locations and deleting six areas bringing the total number of counterforce areas to 63. These changes have had an impact on the completion of Crisis Relocation Plans (CRP's) for counterforce areas.

FEMA originally projected that by end fiscal year 1982, about 95 percent of the initial CRP's for counterforce areas would have been completed with the remainder completed in fiscal year 1983. However, with the increased number of counterforce areas (several of which involve larger cities such as Denver, Omaha, and San Francisco), the percentage completion of counterforce areas CRP's is expected to drop to about 90 percent by end fiscal year 1982, with the remainder completed in fiscal year 1983.

The Investigative Staff Report estimated that 468 work years of effort remained for completion of the counterforce area CRP's. This estimate was predicated on assuming an average number of work days per plan uniformly applied to all areas. The FEMA estimate was based on coordination with individual Regions and States and better reflects actual productivity rates likely to be experienced in each area. In addition, the Investigative Staff Report indicated (see line three page 19 of "A Report for the Committee on Appropriations, U.S. House of Representatives, on the Civil Defense Program of the Federal Emergency Management Agency," March 1981) that their estimate assumed that no in-process planning had been completed (i.e., that no work had been initiated on any of the remaining plans). FEMA staff had advised the Investigators that such was not the case. A considerable amount of work had already been accomplished in getting counterforce plans developed and this needed to be taken into account in determining remaining workload. For example, data for the Charleston, South Carolina counterforce complex indicates that six plans remain to be completed (four host and two combined risk-host). However, it is a fact that the Charleston plans are virtually completed and awaiting review and approval from the FEMA Region IV office. FEMA estimated that based on work already accomplished, about 0.5 work years of effort remained for the plans to be adjusted to meet Regional requirements. The Investigative Staff probably estimated eight work years of effort for completion (a factor 16 times greater than the FEMA estimate). FEMA believes that the Investigative Staff estimate is invalid and not reflective of current status. Therefore it should not be used for estimating completion dates.

NCP PLANNING IN COUNTERFORCE AREAS

Mr. BOLAND. FEMA has emphasized "accelerated" NCP planning during fiscal year 1981 in the counterforce areas (potential military targets with retaliatory capabilities) by adding 60 NCP planners. In January 1981 after consultation with DoD, FEMA increased the number of counterforce areas from 51 to 61. However, DoD did not concur: it suggested that the list be revised from 61 to 53 areas by adding new targets and dropping those that were not expected to be targets, and listing others separately as "Previous Locations of Strategic Retaliatory Forces."

FEMA's fiscal year 1982 planning was based on the 61 counterforce areas.

Why wasn't closer coordination maintained with DoD to obtain formal concurrence in making the counterforce area changes prior to FEMA's fiscal year 1982 budget submittal?

Mr. MCCONNELL. I do not believe the planning was that ineffective. The formal transmission from the Defense Department was not substantially different than the preliminary planning upon which the 1982 budget was based.

Mr. BOLAND. What effect does this change have on hiring the 60 additional NCP planners and the status of completing the CRPs for the counterforce areas?

Mr. McCONNELL. Relatively none, sir. There were six areas deleted, eight added, and the total involving States only rose from 35 States to 36 States. The only State that had a counterforce area in the new list that did not have one in the previous list is the State of Nevada. That workload is not going to be substantial because it is Nellis Air Force Base. The city of Las Vegas has an extremely good civil defense program and can probably accommodate the Crisis Relocation Planning much more rapidly than most communities.

Mr. BOLAND. Page 20 addresses CRP planning in all areas. FEMA estimates that at the 1981 level of funding, initial Crisis Relocation Plans for all U.S. areas would be completed in 1988.

How do you reconcile this timetable with the goal of Presidental Directive 41—to have in place the capability to protect 80 percent of the United States population in relocation areas by the mid-1980s?

Mr. McCONNELL. Sir, it cannot be done at this funding level. We were optimistic to think that we could complete them by 1988. I believe it will be nearer the end of the decade before the planning can be completed.

EXERCISING OF PLANS

Mr. BOLAND. Well, that is the report's conclusion.

The Crisis Relocation Plans, of course, are only as good as the ability of the responsible officials to implement them. Page 22 states:

> Plans in themselves are of little value in an emergency when key officials are unaware either of the plans or their responsibilities in conducting coordinated emergency operations.

That page also summarizes the small percentage of plans in counterforce areas that have actually been exercised: 14 percent of risk area plans; 25 percent of host area plans; and 50 percent of combined area plans.

What is FEMA doing to insure that plans, once completed, are exercised?

Mr. McCONNELL. We have produced exercise guidance which was sent to the States in 1979. This guidance includes how to conduct an exercise and what kind of assistance would be needed at the State level to assist the local governments in conducting an exercise. As we are getting more experience in this, we are able to give them better advice. The percentages have increased since this report was written. I believe two-thirds of the counterforce area communities for which plans have been completed have exercised their plans.

Mr. BOLAND. Mr. Green.

Mr. GREEN. Often one finds, and I had this experience when I was Federal Regional Counsel in New York, that people want changes simply because of a change in administration. To what extent do you monitor this and how do you evaluate the new group?

Mr. McCONNELL. We monitor it very carefully, Mr. Green, and we are very concerned about it. One of the saving graces of the program is that all the Federally funded people except the director, who is usually a politically appointed figure, must be a member of a merit system. That has kept the State staffs intact and most of

the employees at the clerical and planning staff level, in the cities and counties level over the years.

Mr. GREEN. It does not keep them from being swept into other entities by change?

Mr. MCCONNELL. We have been charged to orient those new people, bringing them up to date as to what has gone on with the program.

Mr. GREEN. Thank you, Mr. Chairman.

RADIOLOGICAL EMERGENCY RESPONSE

Mr. BOLAND. The Radiological Emergency Response program is examined on page 23. In 1980, FEMA diverted 41 man-years of effort to Radiological Emergency Response planning from Nuclear Civil Protection planning. Page 23 states:

> FEMA headquarters personnel were unable to identify the number of plans developed or reviewed for the 41.55 man-years expended or to provide an estimate of the planning man-years needed to complete remaining plans for those plans currently in operation as well as for those under construction.

The Radiological Emergency Response program was a major directive from the President to the agency in 1980.

Will you provide for the record the number of plans developed and the estimate of man-years needed to complete remaining plans?

Mr. MCCONNELL. Yes, sir, but if you will allow me, Mr. Chairman, I would like to comment on that.

Mr. BOLAND. Surely.

Mr. MCCONNELL. I would like to precede my remarks by saying this report and the effort that went into it is one of the most objective and constructive investigating reports that I have ever seen in the government. These people did spend hours and hours with our staffs, they went to the field and talked to people to get to the bottom of it.

I am somewhat critical of some items in the thing, but as a whole I am very complimentary of these findings and their recommendations. But in this case, they have misconstrued the degree of contribution that the NCP planners give to the radiological emergency preparedness program as a whole across the Nation. We made available the services of the contract people who were NCP planners to the States on an optional basis if they wished to use them in doing their nuclear power planning. Many States did not take advantage of that or gave only minimal assistance to those doing the planning. The NCP planners are not a factor anymore in completion of the REPs at the State and local level. We are keeping up to some extent with the requirements for licensing, as our discussion with Mr. Traxler yesterday indicated, by means other than the nuclear civil protection planners.

This is something that was apparently misunderstood by the investigators and it would not take long to clarify it. They apparently did not talk to the Radiological Emergency Preparedness Office. They got their information from the office that manages findings for the NCP planners. We have an effective reporting program as to the condition of the Radiological Emergency Plans. We know how they stand, what their schedules are for every plant in the country.

[The information follows:]

RADIOLOGICAL EMERGENCY PREPAREDNESS

495 State and local plans are under development of which 261 have been completed and are under review. Six have been formally approved through the FEMA process. The man-years estimated on submission of the fiscal year 1982 budget was 37; 14 at Headquarters and 23 at the regions. Because of increased emphasis on radiological preparedness for other fixed nuclear facilities, and the accelerated schedule for commercial licensing by NRC, we estimate a total requirement of 77 man-years; 19 at Headquarters and 58 at the regions.

REP SUPPLEMENTAL

Mr. BOLAND. Last year there was a supplemental request of $8.9 million; the Congress approved $1.9 million. What was the effect of that decrease?

Mr. MCCONNELL. I skipped over the 1980 beginning of the program. The request was submitted by the President for $8.9 million. This Committee reduced it to $1.9 million, and that was the figure which was eventually appropriated. We cut and pasted throughout the year to get the program off the ground to get a more substantial series of criteria and procedures established, which had not been done by NRC previously, while the function was being transferred over from NRC to FEMA. We did not have a firm staff to manage the program until practically the end of fiscal year 1980.

This year, we have only the funds available that were transferred to us on a determination order from NRC. This included eight professional personnel spaces and about $2.7 million, almost a million of which was pre-committed for training purposes. So we are working still with less than half the funded effort that we think is necessary to effectively pursue this program. We requested $4.3 million for the Radiological Emergency Preparation program for fiscal year 1982.

Mr. BOLAND. Pages 24 and 25 address Nuclear Civil Protection Planning. Let me quote from page 25:

> . . . the investigative staff believes that FEMA should undertake an in-depth review and evaluation of its CRP guidance materials to determine its relevancy and application to the actual CRP planning being accomplished by the State planners. Requiring planning to be accomplished that is too complex or detailed only hinders the effectiveness of the limited NCP resources.

Do you agree that a review and evaluation of FEMA guidance is in order?

Mr. MCCONNELL. I certainly do, sir.

Mr. BOLAND. I presume that plans are underway to do precisely that.

Mr. MCCONNELL. Yes, sir, it is a matter of sophistication in some cases. The sophistication is necessary in the study process and in the determination of options available. The bottom line, however, should be much more simply described and less complex for the user at the field level.

Mr. BOLAND. I assume you believe a cost-effective study would be worthwhile?

Mr. MCCONNELL. Not actually, except we have these three conditions going on at this time; however, they were devised because of specific circumstances and areas involved. I certainly believe these three options should be considered for each individual case but that

not one single approach is necessarily appropriate for all States and all regions in the country.

EMERGENCY OPERATING CENTERS

Mr. BOLAND. Part IV of the report examines the effectiveness of the Emergency Operating Centers and the civil defense Communications Network. The investigators conclude that an emergency operating center is an absolute necessity in any crisis situation. According to the investigators, without EOCs, all carefully conceived plans, particularly in relation to crisis relocation of population, are rendered ineffective.

Since 1962, the Federal government has provided more than $80 million on a cost-sharing basis to build emergency operating centers. No funds for EOCs were provided in fiscal years 1979 or 1980; $5.5 million is available in the 1981 budget, and a request for $6,545,000 is contained in the 1982 budget. During last year's hearings, FEMA was asked what the total cost would be over a seven year period to construct, equip, and upgrade Emergency Operating Centers. As page 29 of the report indicates, the response was $312 million. However, that estimate is no longer viable because it was based on 100 percent Federal funding, which the civil defense authorization bill prohibited.

The investigators conclude:

> A combination of FEMA's inability to define specific existing deficiencies, its lack of knowledge of which States and local jurisdictions will "match" funds, and its projected aim to develop mobile EOCs makes it impossible at this time to accurately estimate future costs.

How do you respond to that rather negative assessment of the Emergency Operating Center program?

Mr. MCCONNELL. Well, sir, the investigating committee is well aware that we had studies underway at the time they were there to correct this lack of information.

You will remember in the processing of the fiscal year 1981 budget, we requested 100 percent funding for these centers, as contrasted to 50 percent in past years. The Congress in its wisdom determined this not to be the approach. We accepted it, but we had to revise the 100 percent program. This is designed to improve the lack of objectivity and eventual goals that could not have been determined from the previously administered program.

We now know what our concept is. We now know where the priorities should be. We are working diligently to identify the most cost-effective ways to construct—I do not want to use that word "construct," because we do not intend in the future to contribute to the standard costs of walls, ceilings, and excavation of emergency operating centers.

Mr. BOLAND. But you will propose particular standards for these centers?

Mr. MCCONNELL. Yes. But we believe buildings, whether new or existing, can be modified sufficiently in every location where an EOC is necessary so it can be achieved at low cost with equipment and in some cases, minor modifications to the enclosure areas so we can get a much lower cost average.

Mr. BOLAND. How much of the $5.5 million appropriated for fiscal year 1981 has been obligated? In obligating these funds has P&P established any particular standards?

Mr. MCCONNELL. Sir, not one cent has been obligated. Funding for EOCs was a new initiative in fiscal year 1981, not having been included in the 1979 or 1980 budget, and was not included in the continuing authority funds available. Therefore, we did not get a budget execution plan allowing us to proceed until the middle of January 1981.

We did not send out our criteria and the solicitation for applicants for these funds until about that time.

We do, at the present time, have applications coming in from the States, through the regions that abide by the criteria that we have established with State and State area EOCs being the highest priorities, host areas around counter-force areas to be the second priority, and with the modification of structures being probably the only dollars that we will spend on EOCs.

Mr. BOLAND. Will you supply that for the record, too?

Mr. MCCONNELL. Yes, sir.

[The information follows:]

EMERGENCY OPERATING CENTERS CRITERIA

The following are the EOC standards reflected in the new policy:

1. Priorities for development—
   a. State and State areas have priority over local EOCs.
   b. Host areas have priority over risk areas.
   c. Population, as adjusted by CRP allocations, will be used to establish priority among localities.
   d. Cost Benefit Analysis will be used to establish priority. Thus, modifications will have priority over new construction.
   e. Risk and host areas have priority over non risk/non host areas.
   f. Primary EOCs have priority over secondary EOCs.
2. Criteria for size—
   a. Resident population.
   b. CRP population.
3. Criteria for EOC financial assistance—
   a. CD operation basic plan.
   b. Non risk area protection.
   c. Risk area protection.
   d. Emergency power.
   e. Communications and warning.
   f. Operations room
   g. Life support system.
   h. Authority designated.
   i. Tests and exercises.
4. Criteria for Mobile command Centers—
   a. State and State areas at risk.
   b. Used to enhance CRP direction and control.
   c. Augment direction and control when in the host area.

RANKING OF EOCS IN ZBB

Mr. BOLAND. During the hearings last year, Mr. Sabo asked the following question about EOCs: "Will you indicate where it ranked in your ZBB priorities?"

In response, Mr. Camm supplied the following information for the record:

We estimate that it will cost about $312 million extended over a seven year period. For this amount we would upgrade 1662 EOC's, construct 509 EOC's and equip 1124 EOC's.

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What is FEMA's revised estimate on that $312 million figure, and over how many years does that estimate extend?

Mr. McConnell. Sir, currently it is a $334 million estimate, but we cannot be certain of that figure. We are certain, however, with the concept that has evolved and is going to be used for the expenditure of the $5.5 million this year and $6.5 million hopefully in 1982 it will be well spent, and any dollars thereafter will be well spent on a priority basis for cost-effectiveness. So, it will take some time before we can determine exactly what exists and what does not exist in every community, whether or not they have identified an EOC in the past.

It is very possible some of the 3,010 reported EOC locations that have been identified by communities throughout the country will not warrant the assistance of Federal funds through the concept we have.

Mr. Boland. Your request for fiscal year 1982 is $6.5 million for the EOCs, is it not?

Mr. McConnell. Yes.

Mr. Boland. It will take a long time to accomplish what you are attempting to do with EOCs—certainly more than seven years.

Mr. McConnell. It certainly will. We expect from year to year to have the program reevaluated and in the context of the basis of our program which has been previously identified as D'. That program outline shows that a reasonably effective program can be produced in seven years. The EOC portion is $334 million. That program has not been implemented yet and we are still in barely a holding pattern with slight enhancements at the $120 million level for civil defense in fiscal year 1981, and at the $133 million level in fiscal year 1982.

Mr. Boland. The goal of Presidental Directive 41 is the survivability of 80 percent of this country's population in the event of a nuclear attack, by the mid-1980s. As can be seen on page 30, FEMA has estimated that CRP planning will be completed by 2003. Since EOCs are essential to implementing CRP, a yearly funding of approximately $14 million would be needed, not considering inflation, to support this effort. Is that correct?

Mr. McConnell. That is correct, but it is an erroneous assumption in that there has not been a decision to implement the funding program that is required to complete the program in seven years as described in Program D'. This is only a slight enhancement toward that goal.

Mr. Boland. This is not a seven year period. This goes to the year 2003.

Mr. McConnell. That is the stretchout that would be required if the program remains at present funding levels and includes enhanced planning for CRP.

Mr. Boland. That makes me wonder why you have only requested $6.5 million for 1982. The report indicates it would be necessary to have $14 million appropriated every year through the year 2003 if you are to meet your EOC objective.

Mr. McConnell. Sir, the $14 million does not equate to either our present program or the D' program of seven years. It is merely a middle-ground analysis of what would be produced if $14 million was made available each year.

Mr. BOLAND. Let me quote from the report:

The Investigative Staff believes the $312 million estimated by FEMA as necessary over a 7-year period is unrealistically low considering estimates developed by Regions IV, VI, and the State of Georgia. Further, if the fiscal year 1981 funding of $5.5 million remains constant, it will take approximately 28½ years to accomplish full EOC nationwide operational capability. To accomplish the 7-year aim would require a minimum of $44,571,428 funding per year, without considering inflation.

CRP PLANNING

FEMA has estimated that CRP planning will be completed by 2003. Since EOCs are essential to implementing CRP, a yearly funding of approximately $14 million would be needed, not considering inflation, to support this effort.

Mr. MCCONNELL. Those statements are apples and oranges, Mr. Chairman.

Mr. BOLAND. They are?

Mr. MCCONNELL. The seven year aim statement was taken by dividing the $312 million by seven and coming up with $44 million. The statement about CRP is related to our present funding level, which would not permit us to complete CRP completely until the year 2003. So, there is no relationship between the two analyses.

Mr. BOLAND. Let us turn to page 31, the Communications Network. Perhaps the report's most serious indictment of the Civil Defense program is in the communications area, which is addressed beginning on page 31. Page 32 states:

Current weaknesses of the Federal portion of the CDWS (Civil Defense Warning System) are (a) an insufficient number of NAWAS network terminals, (b) the potential lack of system survivability from the effects of EMP (Electro-magnetic Pulse) produced by a high-altitude nuclear explosion designed specifically to nullify such systems, and (c) the ineffectiveness of the EBS (Emergency Broadcast System), which is also impacted by EMP, when radio and TV receivers are not in use during sleeping hours.

Respond in detail to each of these three serious weaknesses in the Civil Defense Warning System.

You may do that for the record.

Mr. MCCONNELL. I would prefer to do that for the record. It is somewhat involved, and the situation is not quite as bad as postulated there, but there are deficiencies, and we will certainly acknowledge that.

[The information follows:]

EMERGENCY WARNING SYSTEM

The Emergency Warning System is a 25-year old network that has grown from a few hundred drops to over 2,300. This, as AT&T has stated, is near the upper limit for a practical multipoint circuit. There are many counties and communities as well as Federal, State, and local offices that it would be desirable to have on the warning circuit but are not on it. Instead, these localities and offices must get the warning through one or more levels of fanout calls.

While the system is very reliable from a peacetime viewpoint, it is highly vulnerable from a nuclear attack viewpoint. It was not designed for alternate routing or for high-risk area avoidance. The loss of a few key nodes or circuits would greatly degrade the Nation's warning capability.

Earlier efforts to provide a more effective, survivable network resulted in the successful design and testing of the low frequency Decision Information Distribution System (DIDS) concept. The technical performance and capabilities of this system were successfully demonstrated by the prototype installation at Edgewood Arsenal, Maryland. However, the project was not implemented, due in part to the vulnerability of the 10 fixed transmitter facilities needed to cover the Nation. In the era of nuclear plenty, these 10 facilities could be considered as targets.

In order to provide a relatively survivable system that would also have the capability to provide greater official and public coverage, a new concept was pro-

posed. The concept takes advantage of the two most practical survivability factors, redundancy and dispersion.

The proposed survivable low-frequency system would use mobile units with low-frequency (160–190 kHz) high-power trasmitters to disseminate the warning. To have suitable antenna facilities available for radiating the LF signals, the concept calls for shared use of various fixed, commercial AM, FM, or TV antenna facilities. A series of transmit zones would be established throughout the 48 contiguous States.

Within each transmit zone there will be two mobile units (MUs). One unit will be at a broadcast facility ready to broadcast a warning without delay. The second unit will normally be enroute to or from, or at, another broadcast facility. The MUs will rotate between facilities on an irregular schedule so that an enemy cannot predict their locations, thus complicating any effort to make the units a target.

The overall system would perform its function by having the active transmit units receive a warning message from a National Warning Center and retransmit the warning throughout their area, by LF. The LF receivers used in the system would be of the "demutable" type, i.e., they could be in an off or standby mode, but by means of a coded LF signal they would be automatically activated and be able to receive the warning message passed by the LF transmitter. The receivers would be located in Federal, State, and local warning center offices and activities. This would include emergency operating centers (EOCs), police and fire stations, civil defense offices, Governor's and Mayor's offices and homes, hospitals, prisons and factories. If private citizens desired, they could procure their own units and receive the warning directly in their homes.

The transmitters and receivers will be provided with emergency power and protected against EMP.

The warning network concept is included in the Survivable Direction and Control Communication System architecture being developed for FEMA by the Computer Science Corporation.

EMERGENCY BROADCAST SYSTEM

FEMA is protecting selected EBS stations against fallout and EMP. Emergency power and programming equipment are also included. To date, 81 stations have EMP protection, 21 are being protected, and 67 have had the EMP engineering survey. The program goal is a minimum of 645 protected and maintained stations—one per State and one per operational area—or 771 including areas with multiple requirements. This would provide protected radio service to 90 percent of the population.

The weakness of any warning system lies in the unwillingness of the general public to purchase the special radio receivers that automatically turn on when the warning signal is transmitted. EBS broadcasts a two-tone signal to turn on special receivers whenever the system is activated.

The Federal Communications Commision (FCC) rules permit nighttime operation of daytime-only stations in an emergency; however, there is a requirement to return these stations to the air for National emergencies and warning. Coverage is provided by the larger clear-channel stations.

ALERTING THE GENERAL PUBLIC

Mr. BOLAND. The investigators conclude:

The inability of the Federal, state or local jurisdictions to effectively alert the general public on a 24-hour basis to an attack situation is, by far, the greatest weakness of the CDWS [Civil Defense Warning System].

The investigators also state on page 34:

In summary, the United States currently does not have a CD communications system that can effectively alert the general public to a nuclear attack.

Since a communications network is critical and is one of the first essential steps to an effective civil defense system, without an effective communications system do we have a civil defense program?

Mr. MCCONNELL. Yes, sir, Mr. Chairman, we certainly do. It is not an effective program, not as effective as it should be.

Mr. BOLAND. Is it worth the cost we have poured into it?

Mr. McCONNELL. It certainly is. It is worth its cost in benefits that extend far beyond the benefits to the nuclear attack emergency.

Mr. BOLAND. For the record, indicate how much money would be required to protect completely the communications system from electro-magnetic pulse, provide 24-hour communications, and increase network terminals.

[The information follows:]

COMMUNICATIONS AND WARNING SYSTEMS

FEMA communications and warning systems, except the high frequency radio system CDNARS, are completely dependent on common carrier services. Carriers on a day-to-day basis reroute circuits to accommodate plant changes, traffic loads, and equipment failures. Because of the extensive nationwide coverage of Civil Defense systems (NAWAS has over 200,000 circuit miles), it would be necessary to EMP protect the entire BELL System to insure NAWAS protection.

The National Communications System in response to Presidential Directive/NCS 53 on National Security Telecommunications Policy is pursuing several EMP protection initiatives. They estimate a program to develop MHD-EMP protection for only critical circuits would cost in excess of $100M.

A recent study for FEMA confirmed the feasibility of a Mobile Low Frequency Warning System which meets the requirements of EMP protection and 24-hour coverage and is insensitive to the number of terminals installed on the system. The costs estimated for the MLFWS are $32M installation and $7M per year for operation and maintenance. Receivers which can be automatically turned on by the radio transmitters are included in the estimate. Funds are included in the Policy Development Program for system planning and preliminary engineering.

A study to develop a survivable direction and control communications system to support FEMA's Civil Defense and Continuity of Government mission is underway. The communications must serve Federal, State, and local government officials in their everyday and emergency locations during period of crisis, warning, population-in-shelter and recovery. Communications must be provided for the in-place shelter and relocation defense postures countering threats of nuclear war both surprise attack and crisis buildup and natural disasters.

The system architecture will be completed in July. The system specification and implementation plan will be completed in January 1982. The MLFWS is included in the architecture.

RESEARCH AND SYSTEMS DEVELOPMENT

Mr. BOLAND. The final area the committee requested the Investigative Staff to examine was Research and Systems Development. This part of the report begins on page 35. The investigators found that 80 percent of research projects outstanding in January 1981 had been negotiated on a sole-source solicitation.

Why has FEMA failed to use competitive bidding in so many instances?

Mr. McCONNELL. I would like to defer that question to the Director of Finance and Administration. However, from a practical standpoint, it is certainly beneficial to have a contractor who is up to speed and educated to a program.

Mr. BOLAND. But isn't there a lot of competition in this field for this equipment?

Mr. McCONNELL. There certainly is. But every time you start with a new contractor, the first year is practically wasted in getting him educated as to the problem. That is no excuse for continuing sole-source contract. I assure you, I do agree with competitive bidding.

Mr. BOLAND. Have you any response?

Mr. VOLLAND. I have nothing substantial to add except the Agency is aware of it and is making aggressive efforts.

Mr. GALLAGHER. We have taken action to see.

Mr. CRAWFORD. From the standpoint of mitigation and research, which engages in a great deal of this work, we were alerted to the problem. We had some discussions with your staff last summer. We have taken measures in our area to accomplish the change. A rough analysis just for the record, indicates we have an estimated 58 awards in the mitigation and research area in national security. Of those, excluding 13 that are going to State governments, 62 percent will be competitive, which is a considerable turnaround from the figure which you stated from the investigative report.

Mr. BOLAND. Supply for the record the greatest number of research projects that any one company is performing for FEMA.

[The information follows:]

The greatest number of research projects which any one company is performing for FEMA is four. There are three companies in this category.

Mr. BOLAND. Let me ask one last question. On page 36, the investigative report also concludes:

FEMA should establish a panel of noninvolved personnel to review proposed projects for nationwide adaptability. Review of critical comments made by several State civil preparedness individuals concerning FEMA research determined they were not critical of FEMA research, per se, but of the impracticality of several studies in respect to their State needs.

What is your response to this recommendation? Do you believe such a panel would improve the quality and applicability of FEMA's research?

Mr. MCCONNELL. From a standpoint of the program user, sir, I would agree with it. It is a process we did use in the Defense Civilian Preparedness Agency while we were in the Pentagon.

Mr. BOLAND. Thank you very much.

Do other Members have any questions?

50–50 COST SHARING

Mr. SABO. I have a question in another area. It relates to the Flood Insurance program. I have a communication from the Minnesota Department of Natural Resources concerned about a change in the State assistance program requiring hard match instead of soft match in terms of State funds.

They and other States are in various parts of the budget process and their request is for us to provide some flexibility. At least the communication does not request additional funds, but it does request flexibility so you could work with the States in arriving at some alternatives in the cost-sharing approach.

Mr. KRIMM. This is certainly a great concern to us, also. It was a decision made by the previous director of FEMA. It is part of the current budget. But we are reviewing the situation and we will be glad to get back to you on that.

Mr. SABO. I would appreciate that.

Thank you, Mr. Chairman.

Mr. BOLAND. Mr. McConnell?

Mr. MCCONNELL. I would like to clear up something for the record. I believe on two occasions this morning you made reference

to PD–41 and an objective of the mid-1980s for some kind of completion.

I would like to point out, PD–41 did not contain a time schedule whatever. This is one of the difficulties we have at the present time. There are policies and principles listed in PD–41 but with no timeframe identified for completion.

[CLERK'S NOTE: The following statement was made by the former Director of The Defense Civil Preparedness Agency before the HUD Independent Agencies Appropriations Subcommittee on March 22, 1979:]

As a policy statement, PD–41 did not expressly contain any program details or associated budget decisions . . . . The President's policy decision supported the Secretary's program recommendation, which was designed to result ultimately in survival of a least two-thirds of the U.S. population in a large-scale, mid-1980's attack, given at least a week in which evacuation plans were executed and other preparations made. Annual costs would average about $230 million in fiscal years 1980 through 1984 (in fiscal year 1979 dollars).

Mr. BOLAND. Thank you very much, Mr. McConnell. We will insert the Surveys and Investigations Staff report on the Civil Defense program of the Federal Emergency Management Agency in the record at this point.

[The report follows:]

NOT FOR RELEASE UNTIL AUTHORIZED BY THE COMMITTEE

March 13, 1981

MEMORANDUM FOR THE CHAIRMAN

RE: Civil Defense Program of the Federal Emergency Management Agency

By directive dated October 10, 1980, the Committee requested an investigation be made of the civil defense program of the Federal Emergency Management Agency. The investigation provides: an analysis of State and local emergency management assistance; an assessment of nuclear civil protection planning; an appraisal of the Federal-State-local civil defense communications network including the efficacy and potential cost of a nationwide system of emergency operating centers; and an analysis of the research and systems development supporting the civil defense program.

The investigation has been completed and the results are set forth in this report.

Respectfully submitted,

William P. Haynes, Jr.
William P. Haynes, Jr., Director
Surveys and Investigations Staff
House Appropriations Committee

C. R. Anderson
Chief of the Surveys and Investigations Staff
House Appropriations Committee

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EXHIBITS

ACRONYMS AND ABBREVIATIONS

AFB	Air Force Base
AFS	Air Force Station
ANGB	Air National Guard Base
ATC	Air Training Command
BLS	Bureau of Labor Statistics
CD	Civil Defense
CDNARS	Civil Defense National Radio System
CDNATS	Civil Defense National Teletypewriter System
CDNAVS	Civil Defense National Voice System
CDWS	Civil Defense Warning System
CPLP	Contribution Project Loan Program
CRP	Crisis Relocation Plans (Planning)
DCPA	Defense Civil Preparedness Agency
DIDS	Decision Information Distribution System
DOD	Department of Defense
D&C	Direction and Control
EBS	Emergency Broadcast System
EMA	Emergency Management Assistance
EMP	Electromagnetic Pulse
EO	Executive Order
EOC	Emergency Operating Center
FCDA	Federal Civil Defense Administration
FDAA	Federal Disaster Assistance Administration
FEMA	Federal Emergency Preparedness Agency
FPA	Federal Preparedness Agency
FY	Fiscal Year
GSA	General Services Administration
M&R	Mitigation and Research
MLFWS	Mobile Low Frequency Warning System
NAWAS	National Warning System
NCP	Nuclear Civil Protection
NEMA	National Emergency Management Association
NF	Naval Facility
NWS	National Weather Service
OCD	Office of Civil Defense
OCDM	Office of Civil and Defense Mobilization
ODM	Office of Defense Mobilization
ONS	Office of National Security
OSD	Office of the Secretary of Defense
OTP	Office of Telecommunications Policy

P&A	Personnel and Administrative
P&P	Plans and Preparedness
PD	Presidential Directive
PL	Public Law
RADEF	Radiological Defense
REP	Radiological Emergency Response Program
SAC	Strategic Air Command
TAC	Tactical Air Command
USCDC	U.S. Civil Defense Council

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

Directive

The Committee's October 10, 1980, directive requested an assessment and analysis of various program elements of the Federal Emergency Management Agency's (FEMA) civil defense (CD) program--State and local management activity, nuclear civil protection planning, Federal-State-local CD communications, emergency operating centers, and research and systems development.

The chart below summarizes the cost associated with those portions of the total CD program reviewed for FY 1979 through FY 1981:

	FY 1979	FY 1980 ($-000)	FY 1981
Emergency Management Assistance (Formerly Personnel & Administrative)	$32,154	$37,100	$37,100
Nuclear Civil Protection Planning	4,791	5,039	6,693
Federal-State-Local CD Communications	8,645	8,640	6,118
Emergency Operating Centers	-	-	5,500
Research and Systems Development	8,059	6,754	8,431
Total Civil Defense Program	$104,688	$109,422	$117,680

Authorizing Legislation and Authority

The CD program as currently administered by FEMA is contained in the Federal Civil Defense Act of 1950 (Public Law 96-342), as amended; EO 12148 (July 20, 1979); National Security Act of 1947, as amended; Presidential Directive (PD) No. 41, September 29, 1978; Reorganization Plan No. 3, September 19, 1978; EO 12127, March 31, 1979; Communications Act of 1934, as amended; and Disaster Relief Act of 1974 (Public Law 93-288) as amended.

The program is to provide a system of CD for protection of life and property in the United States from attack and to provide relief and assistance to people in areas of the United States struck by disasters other than disasters caused by enemy attack (dual-use concept). The responsibility for CD shall be vested jointly in the Federal Government and the several States and their political subdivisions. The CD program further provides for the relocation of certain segments of the population during times of international crisis.

PD No. 41, dated September 29, 1978, provided for:

-- Enhance deterrence and stability in conjunction with our strategic offensive and other strategic defensive forces.

CD, as an element of the strategic balance, should assist in maintaining perceptions of that balance favorable to the United States.

-- Reduce the possibility that the United States could be coerced in time of crisis.

-- Provide some increase in the number of surviving population and for greater continuity of government, should deterrence and escalation control fail, in order to provide an improved basis for dealing with the crisis and carrying out eventual national recovery.

Emergency Management Assistance

FEMA, through 50/50 matching grants, assists States and local jurisdictions in maintaining an emergency management assistance (EMA) staff responsible for coping with both natural and attack-related disasters. This staff, represented by paid full- and part-time employees and volunteers, operating under their elected officials, performs a coordinating function involving the training or preparation of other regular elements of government for emergency operations. It is the State and local EMA resources that FEMA looks to and relies upon to implement major portions of the CD programs.

The EMA program has suffered from inconsistent funding, preventing the implementation of a realistic long-range plan at the Federal, State and local levels. The funding since FY 1978 has not kept pace with inflation thereby negatively impacting the States and local jurisdictions whose employees are covered by merit pay plans.

Accounting procedures/systems do not exist at the Federal, State, or local levels that separate expended EMA resources by attack or disaster related activities. According to FEMA, acceptance of the dual-use concept makes the separate identification virtually impossible as the planning for either attack or disaster complements and supports the other.

The State and local program papers, reflecting FEMA program emphasis guidance, report the past year's EMA accomplishments and what is planned to be completed during the next year. Accomplishments have been identified in qualitative rather than quantitative terms. During FY 1981, FEMA, recognizing the need to identify more precisely EMA accomplishments, has established specific measurable EMA goals. Examples of the measurable goals include: number of plans completed, surveys completed, facilities reviewed, and exercises completed, etc.

The FY 1982 Program Emphasis guidance has prioritized all 25 CD program elements into the categories of Urgent Priority, High Priority, Priority, and Continuing Emphasis. EMA ranks fifth overall, being the first High Priority program. A senior FEMA official has identified the EMA program as the most important CD program. This importance is not reflected by its assigned priority.

A new EMA initiative for FY 1981 is the development of mini-crisis relocation plans (CRP's). This action was initiated to improve nationwide crisis relocation planning status and capabilities and to have the State and local EMA personnel produce a measurable product to bolster perceptions of the effectiveness of the EMA program. Considering that about half of the local EMA personnel are part-time employees, the complexity of the plans, and their lack of planning experience, the success of the mini-CRP effort is questionable without considerable involvement of the State nuclear civil protection (NCP) planning staff.

Nuclear Civil Protection Planning

NCP planning provides decisionmaking officials with two basic options:

(1) Protecting people essentially inplace, at or near their places of residence.

(2) The orderly relocation of people, in time of international crisis from areas of potentially high risk from the direct effects of nuclear weapons to low risk host areas--and their reception, care, and protection in the host areas, i.e., CRP.

The NCP program was implemented in FY 1976, after prototype testing confirmed its feasibilty, with approximately $66.5 million spent through FY 1981. This amount includes funds spent for related research, systems development, shelter surveys, engineering support and CRP. The CRP costs alone for this period have totaled $26.7 million including $6.7 million for FY 1981.

NCP planning is conducted primarily by 100 percent funded FEMA contracts with the States. States in turn hire professional NCP planners as State employees. Planning is also being accomplished by a State awarding a planning contract to a private firm and by a FEMA region awarding a planning contract directly with a private firm to accomplish the CRP for all States within its region.

For FY 1981, FEMA has emphasized an "accelerated" NCP program, including the hiring of 60 additional planners, complementing the current staff of about 145, to concentrate on CRP for the 51 identified counterforce areas/locations of the U.S. strategic retaliatory forces. In February 1980, FEMA estimated that about $100 million would be required to complete the counterforce area planning for the then identified 51 areas, over a 3- or 4-year period. Assuming the $100 million is a realistic estimate, FEMA would need about $25 million per year to meet its 4-year projection. FEMA, however, has only requested $6.7 million in FY 1981 and $8.3 million in FY 1982 for nationwide NCP planning. Therefore, at the current funding levels, FEMA will be unable to complete the counterforce planning as estimated and as the program is extended the costs will increase. Further, FEMA's estimate did not reflect any changes in the number of counterforce areas.

FEMA in January 1981, after initial consultation with the Department of Defense (DOD), added 10 counterforce areas (7--naval facilities (NF) and 3--SAC bases) bringing the total to 61. When asked in January 1981 for its formal coordination on adding the 10 new counterforce areas, DOD did not concur. DOD responded by indicating that: six areas should be deleted; eight areas should be added; and ten areas which have supported SAC in the past should be listed separately. This change, a net reduction of 8 to the list of 61 counterforce areas occurred too late to be reflected in FEMA's FY 1982 budget request. Status of the 61 counterforce areas, prior to DOD's requested changes, showed:

-- Only 10 areas have had all CRP's completed and exercised.

-- Six areas have completed all CRP's but none have been exercised.

-- FEMA estimates that 163 man-years will be needed to complete the new and in-process CRP's, not including exercise participation. The Investigative Staff estimates 468 man-years would be required.

Crisis relocation plans in themselves are of little value in an emergency if key officials are unaware of the plans or their responsibilities. Therefore, on-site exercises or tests on a simulated basis are important in developing an ability to actually execute emergency plans. This important aspect of planning is inadequate as Headquarters does not have current nationwide data available on status of plans exercised, indicating inadequate management.

During FY 1980, at the President's direction, NCP planners devoted 30 percent of the total available NCP man-years to the Radiological Emergency Response Program (REP), offsite emergency preparedness planning in the immediate vicinity and area of nuclear power plants. When asked, FEMA Headquarters personnel could not identify the number of REP plans developed or reviewed by these planners. They claim the information is available at the FEMA Regional Office. Beyond a limited amount of REP planning by the NCP planners in FY 1981, further involvement in this work will not be permitted even though the planning is not yet completed and is scheduled to extend through FY 1982. These same officials were unable to estimate the NCP planning man-years needed to complete REP planning. FEMA management of the REP program is inadequate.

FEMA, in FY 1981, initiated the mini-CRP providing a rudimentary relocation capability, to be performed by the EMA staff. Because of the EMA personnel's lack of planning experience, it appears that the NCP planner will be required to provide considerable assistance and guidance to insure the EMA planning can be used to develop more detailed plans. Providing mini-CRP assistance will impact the availability of the NCP planners to complete more detailed CRP's.

NCP guidance material for use in developing CRP's is very detailed and complex. Various States have deviated from this material as it applies to their particular situations.

Civil Defense Communications Network

The CD communications network consists of two systems: (1) the Federal portion which serves as a nationwide system to alert Federal-State-local authorities, and the general public of a pending or immediate nuclear attack, and (2) the State and local system which disseminates the Federal alert and serves as the principal network for direction and control of the public.

The primary network in the Federal system is the National Warning System (NAWAS), a dedicated voice telephone linkup between the National Warning Center in Cheyenne Mountain, Colorado; Federal regions; States and local jurisdictions. NAWAS has the ability to simultaneously alert approximately 2,300 terminals nationwide. Other networks of lesser importance back up NAWAS with links down to State levels.

The Federal system, while operationally effective to Federal regions, States and numerous local jurisdictions, is not effective in its ability to alert all jurisdictions nationwide nor the general public. Until such time as decisions of a sociological, psychological, and political/legal nature are made concerning with whom the ultimate responsibility rests in alerting the public and the establishment of a home alert system, the Federal portion of the network will remain incomplete.

The primary weaknesses of the system currently are:

(1) Insufficient number of NAWAS terminals.

(2) Potential lack of system survivability from effects of electromagnetic pulse (EMP) produced by a high-altitude nuclear explosion.

The State and local communication networks are fragmented and incomplete with operational effectiveness varying from State to State. Because of insufficient outdoor alarms (sirens), poor maintenance, inability of emergency broadcast stations (EBS) to sound alert when receivers are off, these networks are defective in their ability to alert the public. They are also deficient in directing and controlling the public after receipt of a Federal alert due to lack of communications equipment and Emergency Operating Centers (EOC's).

Overall the Federal, State, and local CD communications network does not have a nationwide warning or direction and control system that is responsive to an immediate or pending attack situation.

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Emergency Operating Centers

An EOC is a protected site used as a command post to direct and control all facets of a crisis, including nuclear attack. Its effectiveness is determined by the ability of executives and designated subordinates to reach it expeditiously and its communication capability to receive and transmit essential information and orders. Without an EOC all carefully conceived plans are rendered ineffective.

FEMA records indicate the existence of 3,010 local EOC's, with 1,024 considered operational after meeting minimum standards. In addition, there are 145 State EOC's. Of the total, 1,127 were constructed with Federal "matching" funds between FY 1962 and FY 1978. No Federal funding for EOC's was issued in FY 1979-1980. Total Federal "matching" funds expended for all State and local EOC's is $82,330,922.

FEMA, aware that its data base fails to provide essential information on deficiencies and capabilities of each EOC, has initiated an intensive study to determine their status. Until the data base is established, FEMA cannot accurately project the number of new EOC's required or the projected costs to upgrade existing EOC's. Therefore, the extent to which the $5.5 million allotted to EOC's in FY 1981 will correct or upgrade deficiencies is unknown.

While FEMA estimated in April 1980 a cost of $312 million, extended over a 7-year period, to construct 509, equip 1,124, and upgrade 1,662 EOC's, the Investigative Staff believes the $312 million figure is unrealistically low for the following reasons:

(1) Standardized facilities will not be built because State and local organizations are insisting on tailored-to-their-own-needs design.

(2) The State of Georgia and FEMA Region's IV and VI, at the request of the Investigative Staff, estimated the cost of their EOC needs. As each used a different data base and no effort was made to validate the findings either by engineering inspections or proposals for construction costs, the results can only be used as a guide. Nevertheless, their cost totals, proportionately, were much higher than that of FEMA's April 1980 estimate.

While the existing State and local EOC's, particularly those meeting operational standards, form a nationwide base, they are not sufficient to handle all CRP's or, in fact, many of the disaster related civil preparedness matters that have developed in recent years.

The combination of FEMA's current inability to define specific existing EOC deficiencies, current lack of knowledge of which

States and locals will "match" Federal funds, and its projected aim to develop mobile EOC's for use in risk areas, makes it impossible at this time to accurately estimate future costs.

Research and Systems Development
(Systems Development is now called
Policy Development)

Within FEMA, basic research involving scientific and futuristic projection is the responsibility of the Office of National Security (ONS), Mitigation and Research Division. Practical and current application of basic and other research is the responsibility of the Policy Development Unit, Plans and Preparedness Division.

Within the ONS, research is broken down into five program areas: (1) General National Security Issues, (2) Weapons Effects, (3) Nuclear Hazards, (4) Population Protection Measures, and (5) Industry Protection Measures.

The funding for the five program areas, each of which has a separate funding, has been: actual FY 1980, $4,107,000; current FY 1981, $6,366,000; and an estimated FY 1982 total of $6,047,000.

A detailed review of 62 research projects obligated in FY 1980 determined all related directly to CD, covering topics of fires generated by nuclear blast, nuclear terrorism, warning systems, hazardous materials, radiological matters, hardening of industrial plants, and fallout shelters, etc. Thirty-nine organizations were recipients of the 62 research contracts.

During a review of 98 research projects outstanding as of late January 1981, a disturbing feature was noted in that 80 were a sole source solicitation.

Within the Policy Development unit, research is broken down into four program areas: (1) Nuclear Attack Civil Preparedness, (2) Communications and Warning, (3) Direction and Control, and (4) Radiological Defense. The funding for the four areas has been: actual FY 1980, $1,519,000 and an estimated FY 1981 total of $2,065,000. A review of a representative number of research projects obligated by this unit determined all related to CD.

Products of FEMA research have, when applicable, been published in guidance manuals. Others on which further research must be conducted remain at headquarters.

Coordination between components conducting research and those involved in planning and operational activities functioned smoothly and no duplication of effort was noted.

Review of critical comments made by several State civil preparedness individuals concerning FEMA research determined they were not critical of FEMA research, per se, but of the impracticality of several studies in respect to their State needs.

Related Issues

Department of Defense Oversight

EO 12148, July 20, 1979, requires that FEMA's CD policies and programs be subject to the Department of Defense's (DOD's) oversight. DOD limits and confines its oversight to the CD policy contained in PD No. 41, September 29, 1978. Further, DOD's oversight is limited in depth and scope as FEMA provided data are used and relied upon. Program timetables and detailed accomplishment data are lacking, and late program submittals do not provide adequate time for review.

A review of the FY 1981 and FY 1982 DOD assessments indicates no questioning or challenging of any aspects of FEMA's CD program. Guidance or suggestions for program improvement are not included considering the manpower and funds expended versus accomplishments achieved.

Excess Property Program

The CD program, when administered by the DOD/Defense Civil Preparedness Agency (DCPA), loaned excess DOD property and equipment to State and local CD organizations under its Contribution Project Loan Program (CPLP). With the transfer of DCPA responsibilities to FEMA, loans under the CPLP are no longer permitted by law. The loan of property was in lieu of financial assistance for the acquisition of similar equipment for CD purposes by the State and local governments. During the period 1971-1979, DCPA loaned 32,600 items with an acquisition cost of $152 million--fire trucks, communications equipment, and boats, etc.

State and local CD organizations have indicated a need and desire to have the excess property program reinstituted. Surplus/excess property and equipment provides a capability which, without additional Federal funding, otherwise would not be provided.

Multi-Year Funding For Civil Defense

FEMA's CD program is funded by annual fiscal year authorizations. Many State and local governments, responsible for implementing the CD program, operate on different fiscal year periods which creates problems and confusion. Multi-year funding for CD would benefit State and local governments in supporting their funding needs and enhance their planning. A clearly defined, long-range National CD program would also enhance FEMA's program planning.

FEMA has indicated that a five-year CD authorization would enhance needed planning and implementation of the CD program by providing authorization commitments necessary to develop and implement systems on an orderly, effective basis. However, FEMA appears not to want the multi-year authorization until it gains more

experience from its present program. Yet, each year FEMA alters various aspects of the program, effecting its ability to project future needs with any degree of certainty.

Common Civil Defense Program Complaints

During numerous interviews with personnel of State civil preparedness organizations, complaints were frequent over the Federal Government's role in CD. These personnel spoke of the repeated changes in organizations from 1951 to the present, short-lived leadership at headquarters and regions, continual inconsistency of Congressional appropriations, and the lack on the part of the Federal organizations to pay other than lip service to State recommendations.

Many State officials expressed frustration over abrupt cancellation of Federal funds for such programs as EOC's (no funding in FY 1979-1980), the purchase/maintenance of outdoor warning sirens, and complained often regarding overall decline in Federal funding. They pointed out that ever increasing responsibilities of State and local organizations due to construction of nuclear power plants, transportation of hazardous materials, and contamination of land and waterways, etc.--all of which are interstate-related--combined with the inflation factor has created a situation of "do more for less." They expressed a conviction that until the Executive and Legislative branches define a National Emergency Plan designating the essential priorities to be applied to civil preparedness and follow with appropriate funding, the Nation will never achieve other than a piecemeal capability to respond to a nuclear attack.

Of all complaints however, the most common was directed toward the failure of FEMA and predecessor organizations to set priorities and stick to them.

Actual versus D-Prime CD Programs

In FY 1979, FEMA presented an "Enhanced Civil Defense Program to Implement PD-41" which included two programs--a 5-year program, "D" estimated at $1.993 billion and a 7-year program, "D-Prime" estimated at $2.309 billion. Both programs reflected an appraisal of the elements required for a moderate cost, evacuation oriented program, differing only in the time required for implementation. An effectiveness study concluded that of the two programs, "D-Prime" was a well-designed, well-balanced CD program when all pertinent measures of effectiveness are considered in consonance with PD No. 41.

The "D-Prime" program covers the period FY 1981-1987 at a total cost of $2.309 billion. FEMA's actual CD program, when compared to "D-Prime" is falling far short of meeting the established CD program.

It appears the "D-Prime" CD program has been abandoned as the funding provided through FY 1982, assuming the request is approved, will be $106.9 million short. Also, FY 1983 funding would have to more than double FY 1982's request, which is very unlikely, to meet program objectives.

Recommendations

The Investigative Staff recommends that the Committee may wish to consider directing FEMA to:

-- Make a definitive decision regarding what Government component, i.e., Federal, State, or local, has the primary responsibility to alert the public of an attack situation. When the decision is made, develop programs and funding to accomplish it.

-- Prioritize the basic components of a comprehensive national CD program; i.e., EMA staffing, EOC's, Warning communications, Direction and Control communications, NCP planning, and therafter, base multi-year funding amounts on the order of priority rather than a "little for all."

-- Determine the most cost-effective method for accomplishing crisis relocation planning--State employees versus State contract with private firm versus Federal contract with private firms.

-- Require that the testing/exercising of completed CRP's be accomplished immediately following their development.

-- Establish an EMA program, identifying minimum duties and responsibilities to be accomplished as a condition for providing matching Federal funds.

-- Make a State-by-State evaluation of the effectiveness of EMA staff personnel followed by a corresponding increase or decrease in Federal funding.

-- Reevaluate the mini-CRP concept in terms of expected realistic accomplishments considering the qualifications, availability, and experience of the EMA personnel and the extent of NCP planners involvement.

-- Delete from the total of 3,010 local EOC's, all EOC's that are so far below minimum standards that no realistic hope exists for upgrading them to meet minimum standards.

-- Maintain a record of when a State or local EOC was inspected by a Federal region or State official.

-- Reevaluate the "D-Prime" program and establish a realistic, achievable, and cost-effective CD program that can be properly supported and funded.

-- Submit to DOD in sufficient quantity, quality, and timeliness, information essential for fulfillment of DOD's oversight role.

-- Establish a panel of personnel who are not involved in the particular programs to review proposed research and policy development research projects to insure research is not conducted purely for research sake or for idealistic or esoteric purposes.

-- Evaluate, by consultation with State CD organizations, the relevancy and applicability of a representative number of its research and policy development projects, and the applicability of its CRP guidance material.

-- Expend a greater effort toward obtaining competitive bids in its research projects.

-- Present to the Committee recommendations for revitalizing the excess property program.

I. INTRODUCTION

A. Directive

The Committee on Appropriations, by letter dated October 10, 1980, directed the Surveys and Investigations Staff to investigate the civil defense (CD) program of the Federal Emergency Management Agency (FEMA). The Committee instructed that the investigation should include:

(1) An analysis of the degree to which the State and local management activity is meeting its legislated goals.

(2) An assessment of nuclear civil protection planning with special emphasis on crisis relocation plans in counterforce states.

(3) An appraisal of the effectiveness of the Federal-State-local civil defense communications network including the efficacy and potential cost of a nationwide system of emergency operating centers.

(4) An analysis of the effectiveness and applicability of research and systems development in support of the civil defense program.

B. Scope of Investigation

During this study, the Investigative Staff conducted interviews with various officials at FEMA Headquarters, Washington, D.C. Pertinent regulations, instructions, rules, notices, and guidelines, as well as studies, reports, and other data promulgated by FEMA were reviewed. Particular emphasis was afforded the provisions of the Federal Civil Defense Act of 1950, as amended, which is the legislative authorization for the CD program and various Executive Orders (EO) relating to the formation of FEMA.

The Investigative Staff made field visits to the FEMA Regional Offices in San Francisco, California; Dallas, Texas; and Atlanta, Georgia. Visits were also made to the offices of State CD organizations within the FEMA regions. The State CD organizations were located at Sacramento, California; Denton, Texas; Atlanta, Georgia; and Frankfort, Kentucky. The local CD installation at Oakland, California, was also visited. Responsible officials and individuals were interviewed and relevant documents and data were obtained at each location visited. During these visits, the Investigative Staff reviewed emergency command and communications centers.

Additional interviews were held with the appropriate officials of: the Department of Defense (DOD), who exercise oversight of the FEMA CD programs; the National Governors Association, which stressed a comprehensive emergency management concept for the

States; and the National Emergency Management Association (NEMA) representing the States CD directors who expressed their views on FEMA's overall CD programs.

FEMA's FY 1981 budget estimate was the primary source of financial data used by the Investigative Staff. The FY 1982 budget request was made available just prior to the completion of the Staff's investigation and was also used.

C. Background

1. Brief History of U.S. Civil Defense Organizations

From the passage of the Federal Civil Defense Act of 1950, "An Act to authorize a Federal civil defense program," the CD organizational component has had repeated changes in leadership and structure:

-- Executive Order (EO) 10186, December 1, 1950, established the Federal Civil Defense Administration (FCDA) in the Executive Office of the President.

-- EO 10773, July 1, 1958, merged the FCDA with the Office of Defense Mobilization (ODM) in the Office of Civil and Defense Mobilization (OCDM).

-- EO 10952, July 20, 1961, established the Office of Civil Defense (OCD) under the leadership of the Office of the Secretary of Defense (OSD).

-- March 31, 1964, OSD transferred responsibility to the Secretary of the Army.

-- May 5, 1972, the Defense Civil Preparedness Agency (DCPA) was established under the leadership of OSD.

-- EO 12127, March 31, 1979, established the Federal Emergency Management Agency (FEMA).

-- EO 12148, July 20, 1979, transferred authorities and functions of the DCPA, Federal Preparedness Agency (FPA), Federal Disaster Assistance Administration (FDAA) to FEMA.

Within FEMA, CD responsibilities are assigned to the Plans and Preparedness (P&P) Division.

Exhibit 1 contains a history of CD appropriations from FY 1951 through FY 1981. During this period the approved authorizations show an erratic pattern. The FY 1980 increase of 18.7 percent over FY 1979 represents the largest single yearly increase since FY 1962. The 1970's reflect a 35.2 percent funding

increase ($70.6 to $95.4 million) for an average annual increase of only 3.52 percent, much less than experienced rates of inflation. Exhibit 2 provides a detailed breakdown of the FY 1981 Budget Estimate reflecting amounts applicable to the CD program.

2. Civil Defense--Its Meaning

The Civil Defense Act of 1950, as amended, declared it is the "intent of Congress to provide a system of civil defense for the protection of life and property in the United States from attack." The 1980 amendment to the Act declared:

> "In order to carry out the sense of Congress * * * the President shall, to the extent practicable, develop and implement an improved civil defense program which includes (1) a program structure for the resources to be used for attack-related civil defense; (2) a program structure for the resources to be used for disaster-related civil defense; and (3) criteria and procedures under which those resources planned for attack-related civil defense and those planned for disaster-related civil defense can be used interchangeably."

In the Investigative Staff's view, the one element that more than any other impedes public acceptance of a uniform goal of national protection is the term "Civil Defense." It appears to be outmoded, misunderstood, and disregarded by the press and public. It solely signifies defense of the Nation against nuclear attack and fails to properly portray emergency preparedness.

Congress, recognizing this, attempted to defuse the term by splitting it, i.e., "attack-related civil defense" and "disaster-related civil defense" in its 1980 amendment. Despite Congressional effort, however, the term has outlived its usefulness and no longer accurately represents the total scope of disaster related activities under the "dual-use" concept.

Various States have surmounted this problem by titling response organizations, "Emergency Services", "Disaster and Emergency Services", etc. With this in mind, the Investigative Staff recommends the Federal Government commence an effort toward gradually neglecting the term "Civil Defense" and substituting a new term that more clearly defines and accurately describes joint emergency and disaster preparedness efforts. A public relations campaign could have significant results.

A contributing and basic problem is that as a program the civil preparedness mission, goals, and responsibilities are not defined in a realistic long-range plan. When FEMA was asked to provide the National Plan for Emergency Preparedness, the Investigative Staff was advised that the latest plan, issued in 1964,

was being revised to serve as a single, unclassified source of official information on the entire subject of civil emergency preparedness and operations. Latest estimates are that this revised plan, to be entitled National Plan for Civil Emergency Management, should be published by July 1982. This plan should have received priority attention so that the overall concepts, policies, responsibilities, and authorities of FEMA's civil preparedness program could be used by all levels of Federal, State, and local governments.

3. Dual-Use--Its Meaning

Congress, recognizing that States and their political subdivisions displayed a minimum of interest in voluntarily fulfilling CD requirements that, in their view were primarily of interest and benefit to the Federal Government, enacted Public Law 94-361, approved July 14, 1976, as an amendment to the Civil Defense Act of 1950. Said amendment set forth, in part:

> " * * * The Congress recognizes that the organizational structure established jointly by the Federal government and the several States and their political subdivisions for civil defense purposes, can be effectively utilized, without adversely affecting the basic civil defense objectives of this Act, to provide relief and assistance to people in areas of the United States struck by disasters other than disasters caused by enemy attack. * * * "

In reality, the dual-use concept was promulgated years before. In a letter from the Director, Executive Office of the President, Office of Emergency Preparedness to the Secretary of the Army, dated December 9, 1971, the following, in part, was set forth:

> "Accordingly, in furtherance of my responsibilities from the President and the Congress for the disaster assistance program, I request the OCD (Office of Civil Defense) undertake the task of fostering local government organizations and plans for coping with major disasters and of providing advice and guidance to local governments on organization and preparedness in order to meet the effects of major disasters. * * * "

The Secretary of Defense, thereafter, on May 4, 1972, ordered that the DCPA " * * * be responsible for providing assistance to State and local governments in the development of natural disaster preparedness plans."

DCPA in its 1972 Annual Report made reference to the aforementioned May 4, 1972, directive by recording:

> "This concept helps the Nation's defense dollar do double duty, and reiterates the dual-use concept DCPA has advocated and practiced for a number of years. * * * * Examples of dual-use resources are warning and emergency communication systems, emergency operating centers, shelters and community wide planning and coordinating capability."

A review of potential modern age disasters indicate responsibility cannot be localized in any one political jurisdiction. Nuclear accidents in the vicinity of nuclear power plants, SAC and submarine bases, missile sites, facilities producing fissionable weapons, transportation and burial of hazardous materials, potential terrorist nuclear explosions, etc., cross local and State jurisdictional lines. Programs that formerly had only Federal application, i.e., attack-related CRP, radiological defense, shelter location and marking, now have State and local application. Separate responsibilities are now a shared responsibility. Because of the interrelationship, the Investigative Staff finds it extremely difficult to designate what is CD in the Federal context versus the State and local context. Unless a shared responsibility exists to fund and equip State and local organizations to handle all types of emergencies and disasters, essential experience and knowledge will not be gained and no hope exists for survival in an attack-related disaster. Without State and local facilities and manpower, much of which is volunteer, a Federal CD effort would be fiscally prohibitive.

D. Organization

The CD program is managed by FEMA personnel located in the headquarters and the 10 regional Federal centers.

National Headquarters: Washington, D.C.

Regional Offices/States:

Region I--Boston, Massachusetts
States: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont.

Region II--New York, New York
States: New Jersey, New York, Puerto Rico, and Virgin Islands.

Region III--Philadelphia, Pennsylvania
States: Delaware, District of Columbia, Maryland, Pennsylvania, Virginia, and West Virginia.

Region IV--Atlanta, Georgia

States: Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee, and Canal Zone.

Region V--Chicago, Illinois
States: Illinois, Indiana, Michigan, Minnesota, Ohio, and Wisconsin.

Region VI--Dallas, Texas
States: Arkansas, Louisiana, New Mexico, Oklahoma, and Texas.

Region VII--Kansas City, Missouri
States: Iowa, Kansas, Missouri, and Nebraska.

Region VIII--Denver, Colorado
States: Colorado, Montana, North Dakota, South Dakota, Utah, and Wyoming.

Region IX--San Francisco, California
States: Arizona, California, Hawaii, Nevada, American Samoa, Guam, and Trust Territory.

Region X--Seattle, Washington
States: Alaska, Idaho, Oregon, and Washington.

II. EMERGENCY MANAGEMENT ASSISTANCE

A. Emergency Management Assistance "Dual-Use" Role

Congress by its July 1976 amendment to the Federal Civil Defense Act of 1950 established a "dual-use" CD program, a program structured for the resources to be used for both attack-related CD and disaster-related CD. FEMA maintains that CD is the primary mission with natural disasters and other peacetime emergency services being a secondary mission. However, FEMA concedes the facts that there are mutually benefiting elements in disaster and attack-oriented functions, and it is impractical to separate these functions. State and local personnel funded under the CD program--Emergency Management Assistance (EMA), formerly Personnel and Administrative (P&A), may be used to support preparedness requirements of their State and local government for other-than-enemy-caused disaster when the facts demonstrate that a mutual benefit for both the Federal and State or local government results.

To carry out this "dual-use" program, FEMA, under its P&P Division, provides financial assistance on a 50/50 matching basis to the States and local jurisdictions to develop a capability to carry out emergency operations during all types of disasters. However, FEMA does not establish specific time or fiscal limitations for those State and local EMA personnel engaged in other than attack-related activities.

For FY 1981, FEMA will provide $37.1 million for the EMA program with $13.2 million estimated to be allotted to the States and $23.9 million to the local levels (see exhibit 3). The FY 1981 EMA fund allocations, approximately 36 percent to States and 64 percent to local jurisdictions, closely follows FEMA's guidance that one-third of the EMA funds be provided to the States and two-thirds to the local jurisdictions. FEMA Regional Directors can grant a waiver of this guidance upon receipt of properly justified requests.

The allowable EMA costs for Federal contributions include those costs for personnel compensation and benefits, travel and transportation, and other allowable expenses--including supplies, services, and equipment for day-to-day administration. Quarterly, the States and their political subdivisions submit certified billings and claims for actual and identifiable allowable expenditures. Time, attendance, and leave records must be maintained for all employees whose compensation is claimed for Federal contributions. Such records must be certified and must contain, among other information, the number of hours worked on CD activities. It is noted that these records do not require separate reporting or allocation of matched resources for attack-related versus disaster-related CD activities. Therefore, FEMA is without an accounting procedure that identifies or differentiates between the EMA resources, at both the State and local levels,

which is applied to either the attack or disaster-related activities. Adoption and implementation of the "dual-use" concept negates the need for such identification as it is virtually impossible, within the EMA program, to differentiate planning and coordinating activities for either attack planning or disaster planning.

B. Program Emphasis Guidance

The EMA program is defined in the issuance of FEMA's annual program emphasis guidance. This guidance is used to develop a CD capability balancing identified preparedness actions with the EMA resources available to carry them out. The CD program adopted by the States and their local subdivisions, as reflected in their annual program papers, must be in consonance with National CD objectives and current FEMA program emphasis guidance.

The FY 1980 program emphasis guidance contained: (1) Government Preparedness--14 separate program elements; (2) Resources Preparedness--6 program elements; and (3) Population Preparedness --31 program elements. FEMA's guidance for implementing the FY 1980 program did not identify which program elements had priority when faced with limited EMA funds or the availability of State and local EMA resources. Further, the guidance failed to provide quantitative goals to be achieved in order to measure accomplished performance. One State reported that it could reasonably only accomplish less than one-half of the FY 1980 program objectives.

The FY 1981 program emphasis guidance revised the program element format by identifying the specific regional, State and local emphasis, where applicable, and introduced quantifiable regional and State goals. As with the FY 1980 guidance, however, the implementation instructions do not address the program elements to be given priority considering available funds and personnel resources within the States and local jurisdictions.

The FY 1982 program emphasis guidance was revised to reflect planned improvements for establishing measurable goals and objectives. The FY 1982 guidance also provides, for the first time, a correlation between the emphasis paper and the FY 1982 budget submission to enhance work planning efforts. In addition, the guidance contains a priority listing of the budget decision packages useful for reallocating resources within the FEMA regions. The FY 1982 guidance also contains, unlike previous guidance, definite accomplishments desired for each region. Priority rankings of all P&P programs, covering all CD elements are identified as: Urgent Priority, High Priority, Priority, and Continuing Emphasis. The EMA program is included in the High Priority category. The EMA units of measure are the number of participating States, territories and localities, and the employee staffing of the States and localities as shown below:

Unit(s) of Measure	Current Participation	FY 1982 Goal	Long Range (FY 1987-90) National Goal
Participation			
States and Territories*	55	56	56
Localities**	2,542	2,620	3,895
Staffing (Employees)			
State	1,298	1,360	1,400
Localities	4,540	5,240	7,750

* Includes District of Columbia.
** All counties and cities of 25,000 and above.

The approach of identifying specific measurable goals should provide FEMA with some degree of quantifiable EMA accomplishments. The success of FEMA's measurable goals approach is unknown at this time since the process is now being implemented for FY 1981 and 1982 with results not being known until the end of the fiscal years.

C. Emergency Management Assistance Involvement in Crisis Relocation Planning

FEMA's guidance has provided that State and local EMA-supported personnel are expected to devote a major proportion of their effort to the development of operational plans for the two nuclear civil protection (NCP) options: (1) protecting people essentially in-place at or near their places of residence, and (2) the orderly relocation of people, in time of international crisis, from areas of potentially high risk from nuclear attack to low risk host areas--and their reception, care, and protection in the host areas (i.e., CRP).

Such planning by EMA personnel has occurred only on a limited scale and appears to have been more the exception than the rule. Cognizant of this problem, the FEMA Director, on June 12, 1980, issued a memorandum to the Regional Directors directing that an intensive effort be devoted to involving the EMA-supported personnel in the development of mini-CRP's during the balance of FY 1980 and through FY 1981. This action was initiated to meet two priority objectives: (1) improve nationwide CRP status and capabilities; and (2) involve the State and local personnel supported with FMA matching funds, in producing CRP's and thereby bolster perceptions of the effectiveness of the EMA program. The second objective was of special importance as the EMA program is coming under intense scrutiny and criticism because EMA personnel are not seen as cost effective in producing readiness. EMA represents about one-third of FEMA's CD budget.

The mini-CRP's are intended to provide an initial or rudimentary relocation capability, providing some improvement over having no plan, while not including the detail or sophistication of CRP's developed by the Federally funded professional State NCP planners. A mini-plan provides a starting point for more detailed rapid planning.

EMA staffing varies considerably among and within States, with host areas generally having lower staffing than risk areas. State-level EMA personnel will be needed to assist non-EMA host jurisdictions, as well as those with only part-time EMA staffs, to develop mini-CRP's. The involvement of State NCP planners in the mini-CRP effort will vary considerably among the States. They should advise on approaches, provide data and information, attend meetings, and review the mini-plans produced by the EMA staff. The EMA mini-CRP effort is to augment--but not replace--work by NCP planners in developing comprehensive and detailed NCP plans. FEMA estimates that 2 or 3 weeks will be needed for developing the average mini-CRP.

FEMA guidance for implementing the mini-CRP approach was not totally accepted by the States. While the majority of the States endorsed the approach, several cited expected problems, such as: a lack of planning experience at county and local levels; program indifference at the local level; too complex for most local directors; too speculative to be of value; sees no value in the mini-CRP; States must convince local personnel that it is a viable program; lack of adequate State staff; and NCP planners are negativ to the concept.

The specific approach developed for each State will be tailored to the situation and needs and it is anticipated that approaches will vary substantially among the States.

According to the FY 1982 program emphasis, mini-CRP's are to be completed for those communities for which full-scale CRP's are required but not yet completed. It is anticipated that every community having local EMA personnel and requiring a mini-CRP, will have it completed during FY 1981. During FY 1982, FEMA Regions are to devise a plan that will provide for a completed mini-CRP for every jurisdiction that needs one whether there is an EMA capability at the local level or not. For those jurisdictions where the EMA staff completed the mini-CRP in 1981, emphasis will be placed in FY 1982 on development of additional annexes, appendices, and standard operating procedures to improve the rudimentary mini-CRP.

It is noted that the program guidance for both the FY 1981 and FY 1982 placed the mini-CRP program under the Nuclear Attack Civil Protection program element rather than the EMA program, which has responsibility for completion of the mini-CRP's. Consideration should be given to including the mini-CRP effort under EMA, to insure that the program receives proper and adequate attention.

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The status of the mini-CRP follows (as of December 31, 1980).

MINI-CRP'S

Region	Initiated 12/31/80	Completed 9/30/80 (1)	Completed 1st Quarter 1981	Negotiated Goals FY 1981 (2)	Negotiated Goals FY 1982 (3)	Totals FY 1980-81-82 (1) + (2) + (3)
Total	1,170	141	198	1,473	1,387	3,001
I	253	76	56	327	310	713
II	34	-	3	2	60	62
III	5	-	3	57	130	187
IV	230	20	54	298	180	498
V	272	4	12	271	217	492
VI	133	-	12	133	220	353
VII	68	33	7	75	140	248
VIII	135	4	39	141	50	195
IX	13	3	3	89	40	132
X	27	1	9	80	40	121

D. State and Local Program Papers

The CD program for the State and local jurisdictions is addressed in their State and local program papers reflecting guidance contained in FEMA's Program Emphasis Paper. State and local jurisdictions participating in the EMA program are required to prepare and have approved annual program papers. The States complete a "Program Paper for State Civil Defense," signed by the State Civil Preparedness Director and the Governor (or authorized representative) and approved by the FEMA Regional Director. The local jurisdictions complete the "Local Civil Preparedness Annual Program Paper", signed by the local Civil Preparedness Director/Coordinator and the local Chief Executive, and approved by the State Civil Preparedness Director and the FEMA Regional Director.

These program papers provide the data and information needed to evaluate EMA effectiveness in achieving the CD program. In past years these program papers have identified program accomplishments in qualitative rather than quantitative terms. Consequently, specific data has not been routinely available for identifying EMA accomplishments. During FY 1981 and beginning in FY 1982, FEMA hopes to correct this situation by being more specific in identifying and negotiating goals in measurable terms; i.e., number of plans completed, surveys completed, facilities reviewed, exercises completed, inspections completed, studies completed, and instructors trained, etc.

In a February 1980 position paper to the FEMA Director, the NEMA, an organization of State civil preparedness directors,

indicated that program papers should be product oriented. They further commented that a better budget-making tool than the present program paper format was needed.

Past evaluations at FEMA and State levels have not attempted to categorize EMA accomplishments as either attack or disaster related since the general "dual-use" concept has been developed and accepted at all levels. Current attempts to be more specific in establishing measurable EMA goals should permit FEMA to be more precise in its evaluation and reporting of EMA program accomplishments. It must be noted however that as long as the dual-use concept is applicable, FEMA will be unable to specifically quantify or measure EMA accomplishments and efforts which solely address nuclear attack CD planning.

FEMA, in January 1980, issued an analysis, using FY 1979 information, prepared by the P&P Division attempting to determine if the EMA program provided the best possible results for the Federal, State, and local funds expended. The report concluded that: there is a clear need for the EMA program; EMA funds support State and local government personnel primarily engaged in peacetime emergency management and planning; almost half of the employees at the local level supported by EMA funds are part-time employees; and the EMA program could be improved in the following areas: (1) discontinue the provision of EMA funds to localities of less than 5,000 population since they have little operational capability; (2) discontinue funding of the staff of volunteer directors; (3) discontinue State directors from exempting local directors from an approved merit system; (4) discontinue funding of localities that budget less than $5,000 (local share) for civil preparedness; (5) discontinue the funding of part-time directors; (6) increase the strength of the State emergency management organizations to provide personnel needed to coordinate preparedness for the smaller localities and rural areas; (7) rigorously review and analyze program papers and staffing patterns. There will be no automatic approval of an annual submission merely because a locality participated the previous year; and (8) program performance be continually audited against progress achieved in meeting the project objectives stated in the program paper.

These changes would have the following effects: (1) 110 localities with volunteer directors would drop out; (2) 1,381 localities with part-time directors would drop out; (3) 278 localities with population under 5,000 would drop out; and (4) an estimated 100 would drop out because of lack of merit system coverage.

This would leave a hard core of 923 viable local emergency preparedness organizations. It would decrease EMA funds by an estimated $14.0 million. Presently, when a disaster occurs in smaller localities, it is the State police, National Guard, and State emergency preparedness staff which manage response to the disaster because of the lack of local qualified manpower and

resources. However, the increased State workload is estimated to require $5.4 million of the estimated $14 million decrease in EMA funding. This increase in the strength of professional, full-time State staffs would result in better emergency management of disasters in smaller communities. State staffs will also be available to promote increased attention and support in those larger communities which are lagging in their effort.

Based upon a review of the analysis by various FEMA elements --10 at Headquarters and 9 Regions--the study results were held as inconclusive by the P&P staff. Consequently, no action has been taken by FEMA regarding the study results.

While the analysis and reported conclusions do not address potential improvements for specific tasks being performed by the EMA staff, it does raise questions that deserve further investigation as to the cost-effectiveness of the EMA program in small communities having less than a full-time EMA staff. Also, since the greatest impact appears at the State level, the Investigative Staff is not aware of the States being given an opportunity to officially respond to the analysis.

E. EMA Funding

Exhibit 3 identifies the level of EMA funding since FY 1976. As noted, there has not been a consistent pattern of funding growth during this period. According to State CD directors, FEMA's inability to annually increase EMA funding severely impacts their ability to effectively implement and manage their CD and natural disaster programs. Some of the problems attributed to the lack of annual EMA increases include: (1) States and localities must provide more than their 50 percent of matching funds to meet State and local mandated salary increases for the full-time EMA personnel covered by State merit pay provisions; (2) local participants desiring to come into the EMA program are being denied; (3) essential travel and other costs must be curtailed in order to keep existing personnel employed; and (4) States are required to increase their share of funding beyond those matched by FEMA to insure that a viable State program is maintained (i.e., Georgia in FY 1979 was short $55,325 and $84,820 in FY 1980 to reimburse local organizations for eligible costs; California was short $530,000 in FY 1980 and is projecting a shortage of $749,000 for FY 1981; and, in Tennessee, eligible EMA jurisdictions could not be funded--four in FY 1979 needing $26,950, and six in FY 1980 needing $42,050).

According to a senior FEMA official, the EMA program is the most important of FEMA's P&P programs. Therefore, considering the expanding role and demands being placed on the EMA staffs to be prepared to respond to virtually any and all types of disasters, consideration must be given to a funding level that enhances and sustains an effective EMA program.

EMA program accomplishments at the State level are the responsibility of the State Civil Defense Directors, who, in turn, are not only responsible to FEMA regions but also to their Governors for the effective operation of the State civil preparedness organizations. As such, several State directors have expressed their determination to the Investigative Staff of ridding organizations of EMA personnel who fail to carry out assigned responsibilities.

NEMA, in its position paper of February 1980, commented regarding the future of the EMA program, that the States "* * * must have a continuation of the EMA program and funding support, with a general expansion capability. This is the life blood of the State and local emergency services organization. The viability of the State and local programs is the very foundation for the national program. No matter how well prepared the Federal Government is, this county will not be totally prepared until all State and local programs reach the desired levels of professionalism. FEMA should establish a long-range emergency management program, looking at least five years to the future, determine what level of funding is necessary, and do everything in its power to ensure little or no deviation from that course." Other groups familiar with the EMA program have expressed similar concerns.

The estimated EMA FY 1981 funding level of $37.1 million provides no increase over the FY 1980 level. FEMA estimates that the same number of EMA positions (5,821) will be maintained with an associated 2.2 percent reduction in personnel costs (FY 1980, $32.5 million, FY 1981, $31.9 million). Such estimating is unrealistic considering that State and local employees are due merit pay increases in accordance with their applicable merit pay system. In reality, the States and localities will hav to decide to reduce travel or other administrative costs to meet the increased personnel costs or reduce the number of staff positions. Such estimating reflects FEMA's lack of concern for maintaining the EMA program at the FY 1980 level and their disregard for the realistic issues, including current inflation effects, that must be faced by the State and local governments.

A further analysis of the EMA funding patterns shown on exhibit 3 indicates the following:

(1) Funding of FY 1977 compared to FY 1981:

Personnel	+ 14.9%
Travel	+ 38.3%
Other Administrative	- 5.6%
Total	+ 17.4%

(2) Average salary increases FY 1978 to FY 1981:

Level	Per Position	Increase
State	$7,368 to $8,862	20.3%
Local	$4,110 to $4,527	10.1%

NOTE: At State level, approximately 6 percent of positions are part-time compared to about 47 percent at the local level.

Exhibit 3 indicates that the EMA program funding has been erratic and has not kept pace with inflation. Considering that the EMA program success rests with the State and local jurisdictions, FEMA should determine their immediate scope and role and provide the necessary funds to accomplish such a program. Further, the EMA program should be developed, coordinated and agreed to by the States and locals, utilizing their input, to provide some assurance of its success.

F. EMA Accomplishments--FY 1980

In keeping with FEMA management's concern to be more specific and precise in identifying measurable EMA work effort, FEMA regions were requested in May 1980 to furnish FEMA Headquarters a list of FY 1980 State and local EMA accomplishments. The accomplishments as reported are summarized below:

Accomplishment	Number*
Emergency Plans Updated	3,427
Annexes Added	4,544
New Emergency Plans Completed	1,758
Mini-CRP's Initiated	738
Mini-CRP's Completed	268
Facilities Improved for Emergency Operations	1,830
Locals with Increased Communications Capability	4,226
Days Responding to Disaster (441,576 hours)	55,197
Hours of Training for Emergency Operations	256,477
Briefings of Local Officials	12,672
Hours Spent on Comprehensive Exercises	169,493
RADEF Distribution Plans Completed	3,872
RADEF Monitors Trained	45,175
Instruments Given Operational Checks	177,807
Times Warning Systems Tested	92,970
Hours Spent on Public Information Activities	245,820

* The Investigative Staff did not verify the accuracy of this information and has noted differences between these data and other data provided by FEMA during the course of this investigation.

Specific EMA man-hours or man-days expended for each of the above accomplishments were not provided by the regional offices. Therefore, a detailed or accurate analysis of how the available EMA staff was applied to meeting these accomplishments cannot be made. However, using the 5,821 State and local EMA positions, 3,607 full-time and 2,214 part-time, and assuming each part-time position contributed one-half of a man-year of work, the total available EMA hours would be 9.8 million which relates to the accomplishments in the following manner.

Accomplishments	Hours Spent	Percent of Total Available EMA Hours
Responding to Disasters	441,576	4.5
Training for Emergency Operations	256,477	2.6
Comprehensive Exercises	169,493	1.7
Public Information Activities	245,820	2.5

Comparison of the above FY 1980 EMA accomplishments with the FY 1981 and FY 1982 regional goals, with few exceptions, cannot be made as different accomplishments are being measured, some including only portions of the above. It appears that this reporting of accomplishment was developed as a onetime requirement to be used by FEMA Headquarters to obtain some degree of specificity as to what the State and local EMA staffs were accomplishing.

No attempt was made by the Investigative Staff to verify the validity of the reported accomplishments. FEMA EMA program personnel were questioned as to the use of these accomplishments in developing the subsequent fiscal year EMA goals. The response given was that the information was not used in developing either the FY 1981 or FY 1982 goals and was a one-time request for information for use in quantifying EMA program accomplishments.

III. ASSESSMENT OF NUCLEAR CIVIL PROTECTION PLANNING

A. Current NCP Concept

The goal of NCP planning is the survival of the greatest number of people in the event of nuclear attack. This FEMA program is directed toward providing decisionmaking officials with two basic options:

(1) Protecting people essentially inplace, at or near their places of residence.

(2) The orderly relocation of people, in time of international crisis, from areas of potentially high risk from the direct effects of nuclear weapons to low risk host areas--and their reception, care, and protection in the host areas, i.e., CRP.

CRP is not intended to provide a capability for rapid evacuation, as may be required in response to a threat such as flash flooding. Rather, the objective is to be able to evacuate risk areas in three days or less.

In 1974, DCPA, FEMA's predecessor, initiated prototype pilot CRP's in eight areas. The DCPA Director, in January 1975, convened a meeting of Federal, State, and local government officials involved in developing the pilot project plans to review status and determine whether to proceed with the CRP effort. There was a unanimous consensus to proceed with such planning on a nationwide basis and the NCP planning program was included in the DOD/DCPA FY 1976 budget.

Between FY 1976-1981, approximately $66.5 million has been expended for NCP planning. This amount includes costs relating to research, systems development, shelter survey, and engineering support, in addition to costs of planners and clerical support for preparing the CRP's. CRP costs alone totaled $26.7 million for the period FY 1976-1981.

According to FEMA, the highest priorities for providing adequate CD for the United States are the development of both CRP's and the supporting systems and capabilities needed to realize the full lifesaving potential of crisis relocation. A balanced CD program stressing crisis relocation can result in survival of about 80 percent of the U.S. population in the event of nuclear attack.

Within FEMA, the NCP/CRP program is the responsibility of the Population Protection Division within the P&P. This office is responsible for developing plans, policies, and capabilities for protection of the U.S. population, of State and local governments, and of industry.

NCP planning is conducted primarily by Federal contracts with the States for which FEMA provides 100 percent funding. The States, in turn, hire professional planners to develop State-level plans as well as plans for local risk and host area jurisdictions for both NCP options-crisis relocation and inplace protection.

B. Status of NCP Planning

1. Counterforce Areas NCP

For FY 1981, FEMA has emphasized "accelerated" NCP planning with additional resources (60 planners) being added to develop improved capabilities for jurisdictions near strategic offensive military installations (SAC bases, intercontinental ballistic missile complexes, and ballistic missile submarine ports) which are called "counterforce areas."

FEMA, as well as DCPA, has used for planning purposes, the counterforce areas identified by Secretary of Defense James R. Schlesinger during his briefing on Counterforce Attacks before the Senate Subcommittee on Arms Control, International Law and Organization, in September 1974. Since those hearings, the nuclear submarine base at Kings Bay, Georgia, was added bringing the total counterforce areas to 51, located in 31 States. Exhibit 4 identifies, by FEMA region, the total population, risk, and host in or near the 51 counterforce areas.

FEMA, in January 1981 after initial consultation with DOD, added an additional 10 counterforce areas--7 naval facilities, and 3 SAC bases which are:

Naval Facilities	SAC Bases
Mare Island, California	Eielson AFB, Alaska
San Diego, California	Anderson AFB, Guam
Groton, Connecticut	Offutt AFB, Nebraska
Pearl Harbor, Hawaii	
Portsmouth, New Hampshire	
Norfolk, Virginia	
Bremerton (Bangor), Washington	

FEMA plans to accelerate the CRP effort for the population impacted by the 61 counterforce areas listed on exhibit 5, with such plans to be completed by the end of FY 1982. Exhibit 5 identifies the status of CRP for each of the 61 counterforce areas.

The significant points to be made from these data, as of February 1981, include:

(a) FEMA estimates that approximately 163 man-years will be needed to complete the required in-process and new CRP's, comprising 116 risk, 160 host, and 53 combined

CRP's. The Investigative Staff estimates that approximately 468 man-years would be required to complete the 329 CRP's, assuming no in-process work had been completed and no planner participation in exercises or tests of completed plans.

(b) In only 10 of the 61 counterforce areas have all CRP's been completed.

(c) For six of the counterforce areas the required CRP's have been completed but not exercised.

(d) Completed and exercised counterforce CRP's as a percentage of the total number required is:

CRP's	Total Required	Percent of Required CRP's Completed	Exercised
Risk	144	19%	3%
Host	302	47	12
Combined	81	35	17
Total	527	38	10

(e) For those CRP's completed and not exercised, FEMA has not included any planner man-year involvement. This indicates that the NCP planner does not participate in the plan exercises which cast doubt on the accuracy of the 163 man-years estimated to complete the required CRP's. Planner participation in the testing of the CRP's is considered essential to insure that the developed plans are complete and responsive to the jurisdictions relocation needs.

DOD, in response to FEMA's January 13, 1981, formal request for coordination on adding the 10 new counterforce areas (as identified above), did not concur. DOD's February 9, 1981, response included the following:

(a) Six counterforce areas should be deleted as there is no military basis for their inclusion:

McCoy AFB, Florida	Glasgow AFB, Montana
Shilling AFB, Kansas	Roswell AFB, New Mexico
Kincheloe AFB, Michigan	Amarillo AFB, Texas

(b) Eight counterforce areas should be added as these installations could reasonably be expected to be targeted:

Sunnyvale AFS, California	Otis AFB, Massachusetts
Buckley ANGB, Colorado	Kirtland AFB, New Mexico
Peterson AFB, Colorado	Nellis AFB, Nevada
Eglin AFB, Florida	Tinker AFB, Oklahoma

(c) Ten counterforce areas, which have supported SAC in the past, should be presented in a separate list entitled, Previous Locations of Strategic Retaliatory Forces:

Homestead AFB, Florida	McGuire AFB, New Jersey
MacDill AFB, Florida	Clinton-Sherman AFB, Oklahoma
Forbes AFB, Kansas	Bergstrom AFB, Texas
Westover AFB, Massachusetts	Hill AFB, Utah
Sheppard AFB, Texas	
Columbus AFB, Mississippi	

The net result of DOD's response is a reduction of eight counterforce areas. For the six areas recommended for deletion, four have had the CRP's completed with 4.0 man-years estimated to complete the remaining two areas. For the 10 areas to be placed on a separate listing, CRP's have been completed for two areas with an estimated 35.9 man-years needed to complete the remaining eight areas. The total effect of reducing the counterforce areas from 61 to 53, as proposed by DOD, is undeterminable as the status of the inprocess CRP's associated with the new areas is not readily available, and FEMA has yet to decide if it will continue the planning already initiated for those areas no longer classified as counterforce areas.

The effect of this change in counterforce areas will affect FEMA's FY 1982 budget projections for NCP and CRP's. Necessary revisions or adjustments are not known as FEMA has not had sufficient time to complete its analysis. To enhance future planning for NCP associated with counterforce areas, FEMA should request timely DOD coordination on the counterforce areas prior to its budget submission so that such changes can be discussed and included in its budget request, thereby providing the Congress the latest counterforce area information.

FEMA, in February 1980, estimated that about $100 million would be required to complete the counterforce program over a 3- or 4-year period. This estimate did not reflect FEMA's increase of the counterforce areas from 51 to 61 or the most recent (February 1981) DOD changes to the counterforce areas. Further, this change can affect FEMA's plans to hire an additional 60 NCP planners to concentrate on the counterforce area CRP's.

2. All NCP Areas

FEMA's initial FY 1981 budget request of $7.110 million for NCP planning has been revised downward to $6.693 million reflecting final authorization approval. This amount represents an increase of $1.654 million over the FY 1980 funding level ($5.039 million). The FY 1981 program provides for 60 additional NCP planners in the 31 counterforce States which were estimated before DOD's February 1981 recommended changes to the counterforce areas. This additional planning effort would

permit accelerating completion of initial CRP's for counterforce areas, and pilot-testing planning approaches to improve confidence that the most essential industries and services could be kept in operation during a relocation period. The current force of about 145 NCP planners would continue to develop CRP's in non-counterforce areas.

FEMA estimates that if the FY 1981 level of funding was to continue in future years the initial crisis relocation plans for all U.S. areas would be completed in 1988. Initial CRP's focus on movement of risk-area populations to host areas and for their reception and care. Initial CRP's plus the plans for inplace protection (without crisis relocation) are estimated to be completed in 1993. Enhanced CRP's required throughout all areas are estimated to be completed in 2003. The enhanced CRP provides improved confidence of keeping the most essential risk area industries and services in operation during the relocation period, and thus able to sustain the population in the relocated posture. Enhanced CRP's will concentrate on work with essential industries to develop detailed plans for key worker identification, organizational relocation, and protection of onduty key workers in risk areas. Exhibit 6 identifies the regional CRP goals for FY 1981-1982 and the fiscal year totals through FY 1991.

Exhibit 7 displays the status of CRP's as of FY 1979 and FY 1980. During FY 1980, CRP accomplishments, not including Radiological Emergency Response Program (REP) plans developed, were limited to completing 25 risk, 88 host, and 23 combined area plans. CRP status, including counterforce area plans, through FY 1980 was:

Area Plans	Plans Completed	Plans to be Completed	Percentage Completed
Risk	63	601	9.5%
Host	391	1,764	18.1
Combined	80	402	16.6

Data for the period FY 1976-1980 indicate that FEMA, at the present level of CRP funding, and past completion performance, will find it extremely difficult, if not impossible to complete the currently defined initial crisis relocation planning by its estimated date of 1988.

Exhibit 8 shows the FY 1979 and FY 1980 State NCP contracting effort separated by planning workyears and contract costs. The significant changes reported for FY 1980 as compared to the FY 1979 performance are:

-- A reduction in CRP planning workyears from 100.43 to 65.98, representing 69.6 percent and 57.7 percent, respectively, of the total available workyears.

-- Minimal mini-CRP effort of 2.57 workyears as compared to none in FY 1979. (This activity will probably increase substantially in FY 1981 as a result of the FEMA emphasis on completing mini-CRP's. NCP planners are expected to provide assistance to EMA personnel which have been assigned the responsibility for the mini-CRP.)

- The significant increase in REP planning from 3.72 to 41.55 workyears representing 2.6 percent and 30.1 percent, respectively, of the total available workyears.

FY 1981 should show continued changes in the way the planning workyears will be distributed as FEMA has initiated its mini-CRP program which will require NCP planner support. Also, the REP planning, after a noticeable increase in FY 1980, is being phased out except for a limited amount of work in the first and second quarters of FY 1981.

FY 1980 NCP contract costs increased only $110,843 over the previous year with the average cost per workyear increasing from $32,640 to $34,869. The ratio of direct to indirect contract costs remained essentially the same for both fiscal years--93 percent direct costs and 7 percent indirect costs.

C. CRP Exercises and Tests

Under specified emergency conditions, emergency planning and CRP provides for effective operations, spelling out who is in charge, directions for the relocating population, and which forces are to do what--the police and fire forces, local leadership, news media, or other available community assets. Plans in themselves are of little value in an emergency when key officials are unaware either of the plans or their responsibilities in conducting coordinated emergency operations. Therefore, the provision of on-site exercises for key officials, based on a simulated emergency, is important in developing the ability to actually execute emergency plans. Key personnel need simulated training to prepare for decisionmaking under the intense and unfamiliar pressure of an emergency.

Data is not readily available at FEMA Headquarters regarding current status of CRP's which have been exercised or tested. Exhibit 5 does indicate that for the completed counterforce area plans, only a very small percentage have been exercised: risk area, 4 of 28 plans (14 percent); host area, 35 of 142 plans (25 percent); and combined areas, 14 of 28 plans (50 percent). FEMA Region IV reported that there had been little exercising of completed CRP plans--only 10 of 62 plans (16 percent). Exhibit 6 reflecting FY 1981-1982 CRP goals, shows that for FY 1981 and FY 1982, only 12.6 percent and 18.2 percent, respectively, of the CRP's are planned to be exercised.

It appears that inadequate attention is being devoted to the exercising and testing of completed CRP's. More emphasis and attention is needed regarding the exercising and testing of completed plans to assure that the planning is adequate and can be carried out during time of emergencies. Further, as personnel at the local level change, periodic exercises are needed to insure they are aware of their responsibilities.

D. Radiological Emergency Response Program

FEMA, by direction of the President in December 1979, was assigned a very broad mission of offsite emergency preparedness planning in the immediate vicinity and area of the existing 72 nuclear power plants. This assignment called for a review of the existing State plans with respect to evacuation and other protective measures for the population in the vicinity. As of February 1981, FEMA is monitoring the status of plans being prepared for 103 nuclear plants--60 in operation, 38 under construction, and 5 planned.

During FY 1980, NCP planners devoted 41.55 man-years of effort to REP planning (30 percent of total available NCP man-years, see exhibit 8). FEMA Headquarters personnel were unable to identify the number of plans developed or reviewed for the 41.55 man-years expended or to provide an estimate of the planning man-years needed to complete remaining plans for those plants currently in operation as well as for those under construction. The Investigative Staff was advised that such information was not available but could be obtained from the regional offices as they request NCP planners as needed. Information was available showing the status of planning for each nuclear plant. Except for a minimum of REP work-in-process to be completed during the first quarter of FY 1981 and some planning in Illinois extending into the second quarter, NCP planners are not to participate in REP planning during FY 1981, even though numerous plans have yet to be completed and exercised. According to FEMA, REP planning beyond FY 1980 is a State responsibility.

Management of REP appears inadequate with one headquarters office monitoring planning status and another controlling the NCP resources who develop the plans, with neither having data on planning accomplishments or being able to estimate the man-years of planning effort needed to complete the REP. One headquarters office should have management responsibilty for REP, including maintaining planning status, performance results, and estimating future planning needs.

A cursory review of the status of REP plans indicates that as of February 11, 1981, 32 plans have yet to be completed for operating nuclear plants with some not scheduled for completion until July 1981; and, 20 plans have yet to be completed for nuclear plants under construction with some not scheduled for completion until September 1983.

In FY 1980, FEMA requested an emergency supplemental appropriation of $8.9 million to finance REP with $1.9 million approved July 8, 1980 (Public Law 96-304). FEMA's FY 1981 budget request does not include funds to complete REP planning, as required by the President's December 7, 1979, direction. It may be FEMA's intention to purposely exclude the REP planning requirements from their FY 1981 NCP workload so that again a supplemental appropriation request can be made to support such planning. Not only will effort be required to complete the necessary response plans but they must be reviewed by Regional Advisory Committees, corrected as necessary and then exercised.

E. NCP Planning Guidance

FEMA has issued guidance material for the NCP planning program to assist planners in developing State and local CRP's. This guidance is contained in the following series of documents:

CPG 2-8-A	Overview of Nuclear Civil Protection Planning for Crisis Relocation (January 1979)
CPG 2-8-B	State (and Regional) Planning (January 1979)
CPG 2-8-C	Operations Planning for Risk and Host Areas (January 1979)
CPG 2-8-D	Updating Crisis Relocation Plans (August 1976)
CPG 2-8-E	Organizational Planning for Crisis Relocation (January 1976)
CPG 2-8-F	Preparing Crisis Relocation Planning Emergency Information (February 1977)

The Investigative Staff questioned State and local CD users of the applicability of the above guidance materials. Since these documents are for guidance, frequent deviations are being introduced to suit the needs of various States in order to complete varying degrees of planning in a shorter time. One FEMA region, responding to a question regarding their ability to report a higher number of CRP's completed as compared to other regions, indicated that they deviated from the very detailed and complex guidance for host and risk areas as provided in CPG 2-8-C. They indicated that had they followed the detailed guidance of CPG 2-8-C, they would have only completed about half of the number of plans reported as completed. Further, they indicated awareness that the plans developed did not contain the CPG 2-8-C desired detail; however, the urgency to complete plans for everyone outweighed developing detailed plans for a few.

A State-level manager, responsible for CRP indicated that CPG 2-8-C guidance is too extensive and fails to address realistic positions actually being experienced. He also noted that, in his

opinion, extensive amounts of research and development money are being spent to develop guidance support materials which he found to be impracticable, unnecessary, and unusable.

In another region, 48 CRP plans have been completed but not accepted due to a delay by the FEMA regional staff in developing CRP planning standards and evaluation criteria for risk and host plans. The planning standards were being developed to clarify to State NCP planners and the FEMA regional staff basic criteria that are expected in the development of plans and the manner in which plans will be evaluated. The planning standards are expected to expedite plan development and review, particularly the completed plans that have not yet been accepted.

Based upon the above, the Investigative Staff believes that FEMA should undertake an indepth review and evaluation of its CRP guidance materials to determine its relevancy and application to the actual CRP planning being accomplished by the State planners. Requiring planning to be accomplished that is too complex or detailed only hinders the effectiveness of the limited NCP resources.

The Investigative Staff found that CRP is being accomplished in different ways; i.e., planners were being hired as (1) State employees under a FEMA Region-State contract, (2) subcontract employees to the State under State-issued contracts using FEMA-provided funds, and (3) as contract employees to FEMA under a FEMA Regional Office contract directly with a private planning firm. FEMA Headquarters staff was asked which approach was the most cost effective. FEMA has made no comparisons, nor is one contemplated. Recognizing that the FEMA Region-State contract of hiring State employees as planners is used almost exclusively, the Investigative Staff believes that a cost-effective study should be made. There are pros and cons to each approach and each should be evaluated as to which would be most beneficial in supporting the NCP program.

IV. EFFICACY AND POTENTIAL COST OF A NATIONWIDE SYSTEM OF EMERGENCY OPERATING CENTERS AND EFFECTIVENESS OF THE FEDERAL-STATE-LOCAL CIVIL DEFENSE COMMUNICATIONS NETWORK

A. Emergency Operating Centers

1. Definition

An EOC is a designed and protected site dedicated to the purpose of containing all necessary communication equipment essential to the maintenance of order in nuclear attack, natural disaster, or emergency situations. It further serves as the command post for local, State, or Federal officials, plus selected non-governmental officials (utilities, Red Cross, etc.), whose combined purpose is to direct and control all responses to a crisis. As such, an EOC is an absolute essential in any crisis situation. Without EOC's, all carefully conceived plans, particularly in relation to crisis relocation of population, are rendered ineffective.

2. Location of an EOC

As prompt accessibility is a key factor for officials and other designated personnel to direct and control events in an emergency or disaster, it is imperative that a fixed EOC site be in immediate proximity to normal centers of command. To maintain a fixed EOC site at a great distance from normal command centers will undoubtedly preclude the EOC from ever becoming operational since personnel will probably be unable to reach it during a disruptive crisis.

All fixed site EOC's, with rare exception, must be located in a local, State, or Federally owned building to avoid rent problems, whims of private owner, code restrictions, alteration problems, eventual dispossession or loss of tenancy.

3. Design of an EOC

Whether situated in the basement of a courthouse or an independently constructed building and whether of a relatively plush or austere nature, all EOC's must have an internal design that affords sufficient space for uncluttered planning conference areas, recordkeeping, and operational activities. Above all, it must have sufficient space to prevent personnel from developing claustophobic feelings under "buttoned up" conditions of two weeks or more. Internal design must also incorporate factors of independent water supply, generators for independent power and light, sanitation, food supplies, and radiation equipment. Guidelines for all internal design and essentials, both for risk and host area EOC's, are contained in FEMA documents. External designs, which differ in basic protective elements according to location in either risk or host areas, are also contained in FEMA documents.

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A mobile EOC faces different but, nevertheless, complex problems. It must be of sufficient size to accommodate all essential communication equipment and personnel; be housed in a temporary protective facility to insure initial survivability, and have preselected sites that can accommodate key officials. Above all, its movement must be governed by detailed plans which insure prompt joining of leadership, communications, and other essentials necessary for life and operations in a self-sustaining mode.

4. Communication Operations within EOC's

To effectively direct and control, executives and staff must have immediate access to communication networks that receive and transmit instructions. To fulfill these needs, FEMA has directed that an EOC, to acquire a fully qualified emergency communication rating, must meet the following standards:

(a) Wire communications with: (1) primary local operating forces, e.g., police, fire, public works, etc., which in most instances are governmental; (2) other forces, e.g., hospitals, transportaion companies, utilities, etc., with emergency assignments and capabilities; (3) radio and TV stations serving the area; (4) the next higher level EOC; (5) radiological monitoring stations, and (6) shelters.

(b) Reliable backup communications with forces and installations listed in (1) above. Radio communications are also highly desirable with monitoring stations and shelters.

In view of problems involved in CRP movement, it is now essential that communications exist between neighboring jurisdictional host EOC's and host-risk EOC's. Communication links, for survivability, must consist of more than one mode, radio and dedicated land line (telephone) being the main two elements currently available.

The most current FEMA profile of local EOC operational capabilities and deficiencies is:

	Risk 1/		Host 1/		Non-Risk/Host		Total	
	Capable	Deficient	Capable	Deficient	Capable	Deficient	Capable	Deficient
Communications to:								
Primary Forces	936	887	1,210	1,636	239	686	2,385	3,209
Broadcast Media	382	1,441	454	2,392	81	844	917	4,677
Plans and SOP 2/								
Direction and Control SOP	986	837	1,256	1,590	308	617	2,550	3,044
Warning SOP	1,056	767	1,363	1,483	329	596	2,748	2,846

1/ Includes 50 percent of existing facilities reported in areas that are combined risk/host.

2/ Standard operating procedures.

The above statistics, combined with those contained in exhibit 9, indicate tremendous communication deficiencies exist nationwide in State and local EOC's.

5. Number of EOC's Nationwide

The FY 1972 annual report of the Defense Civil Preparedness Agency, predecessor to FEMA, recorded a total of 3,820 State and local EOC's had been, or will be, established by year's end, 1,129 of which were constructed with Federal "matching" funds and 2,691 established with no Federal "matching" funds. FEMA records indicate that beginning in FY 1962 through FY 1978 a total of 1,127 State and local EOC's were constructed with Federal "matching" funds. As no funding was appropriated for establishment of EOC's in FY 1979 and FY 1980, the latter figure remains the same. Other FEMA statistics indicate the existence of 3,010 local EOC's with 1,024 considered operational after having met minimum standards. In addition, there are 145 State EOC's.

FEMA is aware its current EOC data base fails to identify current deficiencies and capabilities of each EOC and has initiated an intensive headquarters study to determine the totality of what information does and does not exist. Thereafter FEMA anticipates directing all regions to furnish up-to-date detailed information needed to provide a comprehensive status of all State and local EOC's. Until this is accomplished, FEMA cannot project with any degree of accuracy the total number of EOC's needed or the projected costs.

6. Projected Costs of Upgrading and Constructing State and Local EOC's

FEMA estimated in April 1980 it will cost $312 million extended over a 7-year period to construct 509, equip 1,124, and upgrade 1,662 EOC's. As the $312 million estimate was based on 100 percent Federal funding, the figure is no longer viable. Complete Federal funding allowed standardization of size, equipment and selection of location, luxuries that do not necessarily exist when melded into negotiation with State and local needs on a 50/50 funding basis.

In an effort to arrive at a potential future cost, the Investigative Staff requested and received from FEMA Regions IV and VI and the Civil Defense Division, State of Georgia, independent desk estimates of projected costs for design, construction, upgrading, and equipping EOC's considered necessary for a fully operational EOC system. As each estimate used a different data base, which would not exist under uniform Federal direction, the results can be used only as a guide. No effort was made to validate the findings either by engineering inspections or proposals for construction costs.

The State of Georgia estimated a total need of $26,499,400--$18,865,800 for construction of 74 EOC's, $6,553,600 for communications, and $1,080,000 for equipment. The total does not include the cost of upgrading six EOC's in risk areas.

FEMA Region IV estimated a total need of $63,030,000 to design, construct, and equip an additional 191 EOC's in its eight-State area, which includes the State of Georgia and $1,644,000 to upgrade existing EOC's. Region IV currently has 282 State and local EOC's.

Georgia, as noted above, estimated its EOC needs as 74 at a construction cost of $18,865,800, while Region IV estimated Georgia's needs as 40 EOC's at a construction cost of $12 million plus a communication equipment cost of $1.2 million. The above is an excellent example of different perceptions on the same subject matter and problems encountered by the Investigative Staff in attempting to estimate EOC costs.

FEMA Region VI estimated $40,825,000 was needed to upgrade its existing 693 EOC's within its five-State area. No estimate was submitted for EOC construction although the region included in its estimate costs to upgrade the protection factor or increase the size of an EOC, items not included in Region IV's estimate. The wide variations in the independent estimates indicates a need by FEMA to establish more definite and current EOC standards which regions must follow.

While FEMA aims toward location of new EOC's, whenever possible, in existing buildings on a 50/50 sharing basis as mandated by Congress, there are political subdivisions that, while vital to CRP movement, either will not or cannot share in a 50/50 funding. In such instances it will be necessary for the Federal Government to consider 100 percent Federal funding. It is not reasonable to assume a political subdivision that has no need for an EOC, except for its designation as a host area under a Federal program, will "match" funds.

The amount of $82,330,922 of Federal "matching" funds thus far expended on State and local EOC's from FY 1962 through FY 1978 has created a nationwide base of EOC's. However, they are not sufficient to handle all CRP plans or, in fact, many of the disaster-related CD matters that have developed in recent years.

The Investigative Staff believes the $312 million estimated by FEMA as necessary over a 7-year period is unrealistically low considering estimates developed by Regions IV, VI, and the State of Georgia. Further, if the FY 1981 funding of $5.5 million remains constant, it will take approximately 28 1/2 years to accomplish full EOC nationwide operational capability. To accomplish the 7-year aim would require a minimum of $44,571,428 funding per year without considering inflation.

FEMA has estimated that CRP planning will be completed by 2003. Since EOC's are essential to implementing CRP, a yearly funding of approximately $14 million would be needed, not considering inflation, to support this effort.

FEMA statistics reflect that of the 5,594 local jurisdictions currently reporting CD involvement, 953 have EOC's in risk areas, 1,356 in host areas, 349 in risk/host areas and 352 in nonrisk/nonhost areas for a total of 3,010. Exhibit 9 sets forth a December 2, 1980, summary of the status of the aforementioned 3,010 local and 145 State EOC's as measured against FEMA established criteria.

A combination of FEMA's inability to define specific existing deficiencies, its lack of knowledge of which States and local jurisdictions will "match" funds, and its projected aim to develop mobile EOC's makes it impossible at this time to accurately estimate future costs.

B. Communications Network--Federal, State, and Local

1. Federal Aspects

The Federal portion of the Civil Defense Warning System (CDWS) is the establishment and operation of a nationwide system to effectively and comprehensively alert Federal, State and local officials, and the general public of a pending or actual attack.

The primary network is the National Warning System (NAWAS), a dedicated voice telephone linkup between the National Warning Center in Cheyenne Mountain, Wyoming, and the alternate site at Olney, Maryland, which can verbally alert approximately 2,300 Federal, State, and local terminals simultaneously. NAWAS, as provided for in the Disaster Relief Act of 1970, can also be used to warn local officials in areas endangered by imminent natural disasters.

During national or regional emergencies, FEMA regions are equipped to independently control all NAWAS terminals within their areas. Since the NAWAS system is a 24-hour-a-day operation, terminals should be staffed continuously. For this reason, State and local law enforcement facilities and local fire stations are frequently selected as terminal locations.

In an expansion of NAWAS, approximately 280 terminals are located in NWS offices to serve a dual purpose--(a) permit NWS to receive the attack warning, and (b) permit NWS offices to talk to other parties and also provide emergency weather information to local and State authorities. Arrangements between FEMA and NWS now provide for the dissemination of NAWAS attack warning over the NWS Weather Radio. The Associated Press (AP) and United Press International (UPI) networks are also integrated into NAWAS.

The Civil Defense National Teletypewriter System (CDNATS), a leased, dedicated full period, 100-word-per-minute teletypewriter system, linked between FEMA Headquarters, regions, and States, serves as a backup to NAWAS. The Civil Defense National Voice

System (CDNAVS), a leased, dedicated voice communication link between FEMA Headquarters, regions, and States, also serves as a backup to NAWAS.

The Civil Defense National Radio System (CDNARS), a high-frequency radio system established to serve as a backup system to the CDNATS and CDNAVS systems, is linked between FEMA Headquarters, regions, and States.

The Emergency Broadcast System (EBS) was established in 1964 to provide the President with an expeditious method, via commercial radio and TV stations, of communicating with the American public in the event of war, threat of war, or grave national crisis. In the last several years the original concept of the EBS has been expanded and now includes about 8,000 stations which can be used during day-to-day emergencies at the State and local levels to provide for prompt, reliable receipt and release of life- and property-saving warnings as well as emergency information, i.e., floods, hurricanes, and nuclear accidents, etc.

Current weaknesses of the Federal portion of the CDWS are (a) an insufficient number of NAWAS network terminals, (b) the potential lack of system survivability from the effects of EMP produced by a high-altitude nuclear explosion designed specifically to nulify such systems, and (c) the ineffectiveness of the EBS, which is also impacted by EMP, when radio and TV receivers are not in use during sleeping hours.

Below the Federal level the responsibility for alerting and warning the general public is the responsibility of State and local authorities. Unlike the NAWAS system, which is dedicated to attack warning, State and local systems are aimed primarily at nonattack emergencies and natural disasters. While they can be used for attack warning, the ability to alert the general public is highly variable. Activation of the EBS system faces the problems enumerated above and activation of sirens warn only those individuals within the range of its sound radius.

As State and local warning systems rely primarily on the outdoor siren, its effectiveness is limited by other noise factors, air-conditioning, wind, and its inability to provide specific warning instructions. The lack of funding for continued maintenance and the purchase, replacement, and installation of new sirens is producing a declining number of operational sirens. No replacement or increase of sirens on a nationwide basis is currently underway.

The inability of the Federal, State, or local jurisdictions to effectively alert the general public on a 24-hour basis to an attack situation is, by far, the greatest weakness of the CDWS.

Exhibit 10 sets forth several summaries of research projects conducted in recent years on the CDWS problem.

DCPA, FEMA's predecessor, in an effort to augment and improve the CDWS, developed the Decision Information Distribution System (DIDS). DIDS is an automated high-power all-solid-state low-frequency radio transmission system capable of unattended operation. Low frequency was chosen because the ground wave type of propagation in the frequency range selected (163-197 kHz) provides very consistent signals over a large area and is relatively unaffected by time of day or ionospheric disturbances, both of which degrade radio broadcast signals of higher frequency.

The first prototype installation, of a projected 11, was erected and successfully demonstrated at Edgewood Arsenal, Maryland, in May 1974. It proved capable of providing coverage directly to tone-activated voice and teletype receivers within its range. The number of receivers capable of receiving the DIDS one-way communication is unlimited, and thus, can be located in Federal, State, local, military organizations, business/factory/home, radios, and TV stations, etc.

DIDS was deactaivated in 1976 partly due to cost factors, vulnerability of its fixed antenna to a direct missile strike, and a January 1975 Office of Telecommunications Policy (OTP) policy statement that designated the Weather Service Radio System as the only Federally sponsored home warning system. In FY 1981, FEMA, convinced of the DIDS ability to upgrade the CDWS in eastern U.S. areas, received an appropriation of $470,000 to reactivate the system.

In its continued search for a highly survivable nationwide system, FEMA commissioned a research study on "Mobile Low Frequency Warning System (MLFWS) Feasibility Analysis." The final report dated November 15, 1980, concluded " * * * the study has confirmed the feasibility of the LFMWS concept provided certain technical and operational alternatives can be applied. While the program to acquire the system will be a complex undertaking, it is a practical and viable concept which could increase warning system survivability."

Involved in the final solution of alerting the general public to an attack are the sociological, psychological, and political questions of (a) who holds the responsibility and/or right to inform the public? (b) can the Federal Government inform the public simultaneously with State and local executives who are responsible for their direction and control? (c) will the Federal Government fulfill its responsibility to the American public by limiting its alert to State and local authorities and depending thereafter on them to alert the public? and (d) is it politically and/or legally acceptable to allow voice or signal activated receivers in private homes/offices/factories, etc.? Firm decisions must be made on these questions before a final determination can be made on what system and/or systems should be implemented to complete a total and effective CDWS.

As effectiveness of crisis relocation movement depends on an approximate 3-day-prior awareness of nuclear attack, consideration must be given to the necessity of any system such as DIDS which exists only to furnish a one-way communication alert. Would not the current NAWS, NWS, and EBS systems serve the purpose? In summary, the United States currently does not have a CD communications system that can effectively alert the general public to a nuclear attack.

V. ANALYSIS OF THE EFFECTIVENESS AND APPLICABILITY OF RESEARCH AND SYSTEMS DEVELOPMENT IN SUPPORT OF THE CIVIL DEFENSE EFFORT

Within FEMA, basic research involving scientific development and futuristic projection is the responsibility of the Office of National Security, Mitigation and Research (M&R) Division. Practical and current application of basic and other research in the form of assimilation, guidance, application, direction, and exercising is the responsibility of the Systems Development (now called Policy Development) Unit, P&P Division.

A. Office of National Security

ONS research is broken down into five program areas, each with separate funding.

Program Area	Actual FY 1980 (000)	Current FY 1981 (000)	Estimate FY 1982 (000)
General National Security Issues	$1,134	$1,400	$1,300
Weapons Effects	1,487	1,600	1,500
Nuclear Hazards	100	300	300
Population Protection Measures	1,003	2,100	2,000
Industry Protection Measures	383	966	947
Total	$4,107	$6,366	$6,047

A detailed review of 62 research projects obligated in FY 1980 determined all related to CD. Eight were studies on fires generated by nuclear blast. Three were social and psychological studies: (a) "Reception and Care Planning for Widely Dispersed Populations"; (b) "Evacuation Planning in the Three Mile Island Accident"; and (c) "Civil Defense and the Public, an Overview of Public Attitudes". Four involved studies concerning hazardous materials. One pertained to nuclear terrorism. The remaining 46 related to research on warning systems, radiological matters, vulnerability, hardening of industrial plants, upgrading of structures, fallout shelters, post-attack recovery, ventilation kits, blast studies, and economics involved in CD and in CRP. Thirty-nine organizations were recipients of the 62 research contracts.

During a review of 98 research projects outstanding as of late January 1981 (some of which were among the 62 noted above), a disturbing feature was observed in that 80 were a sole source solicitation. In the future the ONS should expend a greater effort toward obtaining competitive bids.

B. Policy Development Unit

Within the Policy Development Unit, research is broken down into four program areas: (1) Nuclear Attack Civil Preparedness, (2) Communications and Warning, (3) Direction and Control, and (4) Radiological Defense. The four areas have an actual budget of $1,519,000 for FY 1980 and an estimated budget of $2,110,000 for FY 1981. A review of a representative number of projects obligated by this unit determined all related to CD.

Coordination between the ONS, the Policy Development Unit and components involved in planning and operational activities functioned smoothly and no duplication of effort was noted.

C. Effectiveness and Applicability of Research Conducted

Products of research have, when applicable, been published in guidance manuals and distributed to Regional, State, and local jurisdictions. Others on which additional research must be conducted remain at headquarters.

To insure research is not conducted for research sake or for idealistic or esoteric purposes, FEMA should establish a panel of noninvolved personnel to review proposed projects for nationwide adaptability. Review of critical comments made by several State civil preparedness individuals concerning FEMA research determined they were not critical of FEMA research, per se, but of the impracticality of several studies in respect to their State needs.

In conducting a review of FEMA's Research and Policy Development projects, the Investigative Staff limited itself to interviews and review of abstracts. It made no effort to evaluate the quality or scientific value of the research results.

VI. RELATED ISSUES

A. Department of Defense Oversight

EO 12148, effective July 20, 1979, transferred all functions delegated or assigned to the DOD/DCPA to FEMA. Further this EO provides:

> "2-204. In order that civil defense planning continues to be fully compatible with the Nation's overall strategic policy, and in order to maintain an effective link between strategic nuclear planning and nuclear attack preparedness planning, the development of civil defense policies and programs by the Director of the Federal Emergency Management Agency shall be subject to oversight by the Secretary of Defense and the National Security Council.
>
> 2-205. To the extent authorized by law and within available resources, the Secretary of Defense shall provide the Director of the Federal Emergency Management Agency with support for civil defense programs in the areas of program development and administration, technical support, research, communications, transportation, intelligence, and emergency operations."

DOD's oversight role is one of providing advice to the FEMA Director to insure that FEMA's CD programs are consistent with, and meet the requirements of the National CD policy. Further its role is to advise the FEMA Director of the policy-related consequences of proposed actions, and, when requested to do so, to make DOD's preferences among policy-consistent options known. In all cases, the choice of accepting or rejecting DOD's advice remains with the FEMA Director.

DOD, responding to the question of how it determines that resources being expended are for CD planning rather than peacetime disasters and that the primary priority remains CD, advised they asked FEMA to define its annual program in terms of measurable program element objectives which describe specific actions to be taken during the budget year, to specify percentages of increased crisis relocation capability that these actions will provide, and to stipulate the costs of these actions. In principle, this allows DOD to assess whether the actions proposed contribute to CD, and to measure the amount of the contribution in terms of movement toward the full capability required for each program element. In principle, too, FEMA's efficiency and effectiveness in meeting these declared objectives is verifiable after the year in question has passed.

DOD's oversight is the responsibility of the Office of the Under Secretary of Defense for Policy, and Deputy Under Secretary Policy Planning (Strategic Policy). The Investigative Staff was

informed that DOD's oversight is limited and confined to the CD policy contained in PD No. 41, September 29, 1978, i.e., that the CD program seeks to:

-- Enhance deterrence and stability in conjunction with our strategic offensive and other strategic defensive forces. CD, as an element of our strategic balance, should assist in maintaining perceptions of that balance favorable to the United States.

-- Reduce the possibility that the United States could be coerced in time of crisis.

-- Provide some increase in the number of surviving population and for greater continuity of Government, should deterrence and escalation control fail, in order to provide an improved basis for dealing with the crisis and carrying out eventual national recovery.

This policy does not suggest any change in continuing U.S. reliance on strategic offensive nuclear forces as the preponderant factor in maintaining deterrence. U.S. CD programs will take advantage of the mobility of the population stemming from wide ownership of private automobiles, the extensive highway systems, and the large number of nonurban potential housing facilities to achieve crisis relocation of the urban population. CD programs should also help deal with national disasters and other national emergencies.

By confining its oversight to PD No. 41 issues as identified above, it appears that DOD is primarily concerned with FEMA's CRP for increasing population protection. When questioned regarding the scope and depth of their analysis, the DOD representatives within the oversight office produced the following:

-- Due to a lack of detailed data, DOD is unable to adequately evaluate and assess FEMA's CD program.

-- FEMA's late submittal of budget data does not give DOD enough time to conduct an adequate analysis.

-- Evaluation of FEMA's programs are difficult because program timetables do not exist.

-- Oversight of FEMA is very limited as it does not have knowledge of FEMA's organization, the accounting procedures are different, and DOD must rely on FEMA provided data.

-- FEMA failed to revise its counterforce areas based on DOD's suggestions. DOD, after reviewing the February 1980 counterforce list, recommended that the list be

revised to accurately reflect only targets which contained strategic offensive military forces. The list of 51 counterforce targets (areas) reviewed by DOD contained 6 AFB's that were closed, 4 bases that did not have a SAC capability, 3 bases were assigned to Tactical Air Command (TAC), 2 were assigned to Air Training Command (ATC), and 1 was a reserve base. Instead of deleting these 16 bases as suggested by DOD, FEMA later increased the list to 61 counterforce areas.

DOD's assessment of FEMA's FY 1981 and FY 1982 CD programs are identical; i.e., the program for FY's 1981 and 1982 are consistent with the CD policy guidelines prescribed by the President. The programs are obviously limited in scale and pace, as noted in the accompanying analysis, because of limited funds and competing priorities.

A review of the FY 1982 DOD assessment indicates no questionable areas or comments challenging any aspect of FEMA's CD program. DOD appears to be only citing FEMA's proposed program without providing any guidance as to how the CD program can or should be improved. DOD cites the anticipated status (as percent complete) of the various CD program elements without commenting on the reasonableness of their allocations of either funds or resources. Differences between the FY 1981 and FY 1982 program element status are not explained in DOD FY 1982 annual report. It is suspected that DOD's qualitative assessment is due to the lack of specific measurable program data.

If DOD is to fulfill its required oversight responsibility, it must have adequate data and information to do so. Otherwise, DOD should report that due to lack of adequate data its oversight responsibility cannot be accomplished.

B. Excess Property Program

DCPA, FEMA's predecessor, loaned excess DOD property and equipment to State and local CD organizations under DOD's Contribution Project Loan Program (CPLP), more commonly called the Excess Property Program. Effective July 1979, all functions authorities, and resources of DCPA were transferred from DOD to FEMA. Accordingly, since CD functions are no longer assigned to DOD, DOD property which had been used for loan to State and local CD organizations can no longer be made available for new loans.

In 1971, DCPA initiated the CPLP to obtain excess property from the GSA and reutilization property from the DOD for loan to State and local CD organizations. The loan of property was in lieu of financial assistance for acquisition of similar equipment for CD purposes by the State and local governments. From 1971 to July 1979, DCPA loaned 32,600 items, with an original acquisition cost of $152 million. Equipment on loan mainly consisted of fire

trucks, ambulances, generators, cargo trucks, communication equipment, boats, snowplows, and a few aircraft.

In 1976, Public Law 94-519 as passed by Congress, established the surplus property donation program as the major system for State and local governments to obtain property from the U.S. Government. Public Law 94-519 consolidated the existing Federal donation programs under GSA to improve program management and ensure a more fair and equitable distribution system for excess/surplus property.

The continued transfer of Federal excess property to grantees is not forbidden under Public Law 94-519; however, the grantor can only do it under the following conditions:

-- The grantee is a public agency or a nonprofit and tax-exempt organization.

-- The grant is for a specifically federally sponsored purpose and has a specific termination date.

-- The property will be used for the purpose of the grant.

-- The sponsoring Federal agency pays to the U.S. Treasury, as miscellaneous receipts, 25 percent of the property's original acquisition cost.

The requirement that Federal agencies pay the U.S. Treasury 25 percent of the original acquisition cost of the equipment before it could be distributed was prohibitive to DCPA and would be prohibitive to FEMA.

The CPLP was based on the DOD property reutilization program which is limited to the military departments and DOD agencies. Therefore, DCPA continued to loan this DOD property to State and local CD organizations. However, FEMA as a separate agency is not permitted to participate in the DOD property reutilization program.

Since the inception of FEMA, concern has been expressed over the lack of the excess property program. The Investigative Staff was told continuously during visits with State and local CD officials that the excess property program is vitally needed and should be reinitiated. The States and local jurisdictions, being faced with less FEMA funding, considers acceptance of surplus equipment a real need as a means of supplying them with a capability which cannot be provided without additional Federal funding.

The FEMA Director, in October and December 1979, requested that the U.S. Civil Defense Council (USCDC) and NEMA survey their membership for needs under the DOD Property Utilization Program. NEMA's response supported reestablishing the excess property program and identified the number of items needed. The list developed included 21,722 pieces of 60 different items. Included in this list were the following:

Items	Number Requested
Fire Trucks	869
Generators	4,181
Pumps	1,443
Jeeps	3,259
Trucks	3,846
Communication Equipment	1,110
Heavy Construction Equipment	1,102

In November 1980, in studying alternate methods of obtaining civil preparedness equipment, FEMA identified the following options:

(1) FEMA can reverse itself and obtain Federal excess property for its grantees and pay the U.S. Treasury 25 percent of the property's original acquisition cost.

(2) FEMA can request special legislation to exempt it from the 25 percent acquisition charge paid to the U.S. Treasury.

(3) FEMA can work for a more equitable distribution of the GSA donation program in specific cases.

In view of the limited options, further pursuit of alternate methods to obtain equipment for civil preparedness organizations was not recommended. Further, FEMA officials recommended that the NEMA and the USCDC, CD organizations recommending reestablishing the excess property program, be informed of FEMA's explorations into the excess property program and stop attempting to determine equipment requirements for local civil preparedness organizations.

FEMA appears to be delaying efforts to reinstitute the excess property program. Considering the benefits, needs, and support of the program by the State and local civil preparedness organizations, and FEMA's inability to provide funds for needed equipment, FEMA should immediately pursue reinstituting the excess property program by whatever method it considers the most appropriate by requesting Congress to enact separate legislation, revise legislation (Public Law 94-519), or to increase funding, etc., to enhance the Nation's CD program.

C. Multi-Year Funding for Civil Defense

The various sections of this report all relate to the lack of a well-defined long-range national CD program. Such a program is needed for the United States to have a viable civil preparedness capability.

Since FEMA's creation, the CD program has been funded by annual authorizations. The Investigative Staff believes that multi-year funding would improve the overall CD posture and its various program elements. It would require FEMA to determine what the Nation's long-range CD needs are or should be, and then institute necessary, adequately funded programs to achieve such a capability. Since the backbone of the CD program rests with the State and local governments' acceptance and implementation of the various program elements, they need to know both the future CD requirements and the associated funding so they can plan accordingly.

Multi-year funding of the CD program would be most beneficial to the States and local governments because many function on fiscal year periods that differ from the Federal Government's fiscal year. Knowing what the future program elements are and the projected levels of funding, the State and local jurisdictions would have a better and more substantive basis of supporting their needs.

House Report No. 4040, passed by the House of Representatives on September 14, 1979, called for a five-year statement of authorization to develop and implement the CD program. FEMA was asked its position on the proposed five-year CD authorization to replace the single-year authorization process contained in Section 408 of the Federal Civil Defense Act of 1950, as amended. FEMA's response was that a five-year CD authorization would enhance needed planning and implementation of the CD program by providing authorization commitments necessary to develop and deploy systems on an orderly and effective basis. While some form of multiple year program commitments may indeed be important for the future efficiency and effectiveness of CD programs, FEMA's view was that enactment of a five-year authorization should be deferred at that time.

FEMA appears not to want the multi-year authorization until it has gained more experience from its present program. However, FEMA continues each year to alter various aspects of the program, thereby affecting its ability to project the future needs with any degree of certainty. The Investigative Staff believes that FEMA should be required to formulate and project a long-range CD program in a way that permits those responsible for its implementation to know, in advance, what is expected and to request multi-year authorizations adequate for achieving intended goals. Further, the multi-year authorizations could provide a greater degree of stability and continuity to the CD program.

D. Common CD Program Complaints

During numerous interviews with personnel of State civil preparedness organizations, the Investigative Staff was troubled by expressions of discontent and frustration over the Federal Government's role in civil preparedness. Continuous change in

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organizations from 1951 to present, repeated and short-lived leadership, both at headquarters and regional levels, the continual inconsistency of Congressional appropriations, and the lack of the Federal organizations to pay other than lip service to State recommendations were among the more common complaints heard.

Frustration was expressed over the abrupt cancellation of Federal matching funds for such programs as EOC's (no funding in FY 1979-1980), and purchase/maintenance of outdoor warning sirens. Complaints were continuous regarding the overall decline in Federal funding. The ever-increasing responsibilities of State and local civil preparedness organizations due to construction of nuclear power plants, transportation of hazardous material, contamination of land and waterways, etc., all of which are inter-State related, combined with the inflation factor, has created a situation of "do more for less."

Many officials at State, Regional, and FEMA headquarters level, held a conviction that until the Federal Executive and Legislative branches define a National Emergency Plan designating the essential priorities to be given to civil preparedness and follows with appropriate funding, the Nation will never achieve other than a piecemeal capability to respond to a nuclear attack.

Of all the comments, however, the most common was over the failure of FEMA and predecessor organizations to set priorities and stick to them. The officials virtually begged for firm priorities, though, as one State Director stated, "We may not like them."

A derogatory statement that surfaced on more than one occasion was the poor leadership example of the Federal Government in its failure to have sufficient regional EOC's while, at the same time, insisting the States have them for continuity of government and for direction and control.

Many complaints were received which directly related to the growing pains of the new organization, FEMA. Delay in payment of outstanding obligations, forwarding of funds and directives by components at FEMA headquarters directly to State Governors/governments with no copy to FEMA Region or State emergency/disaster organizations, and delay in forwarding appropriation amounts to enable States to present their "matching" funds to State governments, were among those mentioned.

E. Actual Versus "D-Prime" Civil Defense Program

FEMA's "Enhanced Civil Defense Program to Implement PD-41," dated December 1979, outlines the designs of 5- and 7-year alternative programs, Program D and Program D-Prime, respectively, either of which could implement the policies for U.S. CD contained in PD No. 41. The general thrust of both programs is to complete both CRP's and the supporting systems and capabilities

required to achieve the full lifesaving potential of crisis relocation. The programs differ only in the time required for implementation. In FY 1981 dollars the 5-year program "D" is estimated at $1.993 billion and the 7-year program "D-Prime" is estimated at $2.309 billion (see exhibit 11). The two programs were developed to illustrate funding profiles for the several elements of a crisis relocation-oriented program and for implementation, either more rapidly or somewhat less rapidly.

The system and capabilities provided by either "D" or "D-Prime" are those required for a moderate-cost program stressing crisis relocation, with the potential for total survival of up to 80 percent in a heavy mid-1980's attack, and thus able to implement the PD No. 41 policies. The programs were designed on the basis of research and analyses conducted over 10 to 15 years. An effectiveness study concluded that "D-Prime" is a well-designed and well-balanced CD program when all of the pertinent measures of effectiveness are considered. The "D" and "D-Prime" programs were characterized as FEMA's preferred CD programs--preferred on the grounds of cost-effectiveness and reflecting FEMA's best judgment as to both overall program content and the program elements required to implement PD No. 41 policies at moderate cost. Further, FEMA believes it would be difficult to implement a program in less than 5 years or desirable to design a program to be deployed in more than 7 years because experience suggests that programs which are unduly stretched out tend to be eroded, and early segments may become outdated.

FEMA's analysis of the "D-Prime" program indicates it is the number of effective survivors that constitutes what is the most important measure of postwar recovery capability. Therefore, if FEMA is to undertake a meaningful CD effort at all, it only makes sense to aim at the "D-Prime" program, in consonance with PD No. 41.

Exhibit 11 provides a comparison of FEMA actual and requested funding as compared to the "D"/"D-Prime" programs. The data show that FEMA funding does not support the completion of the "D-Prime" program in a cost-effective way. Assuming FEMA obtains moderate funding increases, inflation not included, compared to FY 1981-FY 1982 (14 percent), it will take until FY 1991 to complete "D-Prime". FEMA has indicated that it will be updating the "D"/"D-Prime" study. It appears obvious that FEMA will be unable to achieve the "D-Prime" program and should therefore redefine its program, considering realistic objectives and goals, commensurate with expected funding levels. In establishing its long-range CD program, inputs and recommendations should be sought and considered from State and local organizations responsible for the program's implementation.

* * * * *

EXHIBIT 1

HISTORY OF APPROPRIATIONS FOR CIVIL DEFENSE

Fiscal Year	Appropriation Requested	Appropriation Approved
1951	$403,000,000	$26,750,000 a/
1952	537,000,000	77,021,250
1953	601,550,000	44,250,000
1954	153,250,000	49,275,000
1955	88,511,000	50,186,000
1956	78,770,000	70,900,000
1957	125,483,000	95,760,000
1958	132,380,000	41,514,000
1959	76,473,000	45,285,000
1960	101,670,000	52,885,000
1961	77,313,000	61,088,000
1962	312,135,000 b/	207,600,000
1963	756,900,000	128,000,000
1964	346,900,000	111,569,000
1965	358,000,000	105,200,000
1966	193,900,000	106,780,000
1967	134,400,000 c/	102,100,000 c/
1968	111,000,000	86,100,000
1969	77,300,000 c/	61,040,000 c/
1970	76,608,000 d/	70,558,000 d/
1971	75,246,000 e/	73,546,000 e/
1972	78,303,000	78,303,000
1973	88,835,000	83,535,000
1974	88,500,000	82,000,000
1975	86,300,000	82,000,000
1976	88,578,000 f/	85,758,000 f/
197T	19,991,000 f/	19,491,000 f/
1977	75,954,000 g/	87,454,000 g/
1978	91,600,000	91,600,000
1979	97,880,000	95,427,000
1980	108,600,000	99,100,000
1981	120,000,000	117,680,000

a/ Excludes $5 million Procurement fund.
b/ Includes $104.2 million regular and $335,000 supplemental request by OCDM. Of $86,550,000 appropriated to OCDM in regular act, $49,605,843 was transferred to OCD.
c/ Includes amounts transferred from Procurement fund ($1 million in FY 1967 and $500,000 in FY 1969).
d/ Includes supplemental appropriations for pay raises-- $850,000 and $458,000.
e/ Includes supplemental appropriation for pay raises-- $950,000 and construction of facilities--$496,000.
f/ Includes supplemental appropriations ($578,000 for FY 1976 and $191,000 for 197T).
g/ Includes supplemental appropriation for pay raises-- $954,000, Personnel and Administrative Expenses (P&A)--$2 million, and Supporting Materials--$2 million.

EXHIBIT 2
Page 1

FEDERAL EMERGENCY MANAGEMENT AGENCY
Emergency Planning, Preparedness, and Mobilization
FY 1981 Budget Estimate
(Dollars in Thousands)

	Actual FY 1980	Original Estimate FY 1981	Current Estimate FY 1981	CD Program FY 1981
FINANCIAL ASSISTANCE TO STATES	$39,034	$39,034	$39,034	$39,034
State and Local Management	37,100	37,100	37,100	37,100
State and Local Maintenance and Services	1,934	1,934	1,934	1,934
PLANS AND PREPAREDNESS	60,279	58,227	82,978	54,898
Radiological Defense	4,115	7,542	7,557	7,557
Equipment Engineering	198	725	725	725
Equipment Procurement	149	2,125	2,125	2,125
Equipment Logistical Support	245	245	245	245
Maintenance and Calibration of RADEF Equipment	3,000	3,000	3,000	3,000
Fallout Forecasting	11	10	10	10
State Radiological Defense Officers	-	880	880	880
Program Staff	512	557	572	572
State and Local Civil Protection and Planning Assistance	26,121	40,570	39,313	37,341
Nuclear Civil Protection Planning	5,039	7,110	6,693	6,693
National Shelter Survey	2,239	2,687	2,687	2,687
Shelter Marking	-	100	100	100
Shelter Stocks	-	100	100	100
Packaged Ventilation Kits	-	100	100	100
Crisis Upgrade Planning	-	325	325	325
Mobilization Designation Program	-	2,355	2,355	2,355
Emergency Operating Centers	-	5,500	5,500	5,500
Red Cross Advisors	270	270	270	270
State and Local Direction and Control Communications	-	1,900	1,900	1,900
Program Staff	18,573	20,123	19,283	17,311
National Security Affairs	22,099		24,981	
Resources Preparedness	1,937		2,351	
Government Preparedness	686		1,516	
Special Facility	8,341		7,685	
Program Coordination	1,844		1,865	
Operations Support	9,291		11,564	

(Continued)

EXHIBIT 2
Page 2

(Continued)

	Actual FY 1980	Original Estimate FY 1981	Current Estimate FY 1981	CD Progr FY 19
State and Local Preparedness	(80)*	-	-	-
Research and Systems Development	7,944	10,115	11,127	10,000
Research and Mitigation	5,235	6,517	7,493	6,366
Systems Development	1,519	2,110	2,065	2,065
Program Staff	1,190	1,488	1,569	1,569
WARNING AND COMMUNICATIONS	21,686	11,749	25,683	11,732
National Communications and Warning Systems	5,116	6,253	6,118	6,118
U.S. Army Support Detachment	-	557	557	557
Staff Expenses	3,242	3,247	3,365	3,365
Federal Level Communication	13,063	-	13,951	-
Purchase of Antenna Field	-	571	571	571
Broadcast Station Protection	265	1,121	1,121	1,1
INFORMATION AND EDUCATION	8,622	10,990	12,016	12,01
Training and Education	6,958	9,651	10,660	10,660
Emergency Information	1,664	1,339	1,356	1,356
TOTAL APPROPRIATION	$129,621	$120,000	$159,711	$117,680
Supplemental for Radiological Emergency Preparedness	1,900			
State and Local Civil Protection and Planning Assistance	1,590			
Information and Education	310			
Transfer by Determination Order from Nuclear Regulatory Commission			2,619	
State and Local Civil Protection and Planning Assistance			1,742	
Information and Education			877	
TOTAL FUND AVAILABILITY	$131,521	$120,000	$162,330	$117,680

* Carry over.

EMERGENCY MANAGEMENT ASSISTANCE (EMA)
(Formerly Personnel and Administrative (P&A))

Fiscal Year	Personnel	Travel	Other Administrative	Total	Percent Increase	Percent Inflation ***
1976	$32,503,207	$1,138,958	$3,517,835	$37,160,000*	-	-
1977	26,165,898	1,073,428	3,928,760	31,168,086	5.30%	-
1978	27,005,826	969,196	3,624,978	31,600,000	-	7.7%
1979	30,332,171	1,026,883	3,640,946	35,000,000	10.76	11.3
1980	32,619,862	969,692	3,510,446	37,100,000	6.00	13.5
1981	31,906,000	1,484,000	3,710,000	37,100,000**	-	8.3**

* Includes $29.6 million for FY 1976 plus $7.56 million for FY 1976 Transition Quarter.

** FEMA estimate.

*** Bureau of Labor Statistics--Annual Averages.

(Continued)

(Continued)

EXHIBIT 3
Page 2

	Actual		Estimated	
	1978	1979	1980	1981
STATE LEVEL				
Positions	1,228	1,274	1,281	1,281
Full Time	1,154	1,212	1,207	1,207
Part Time	74	62	74	74
Participants	54	55	56	56
Funds:	$11,218,303	$12,454,849	$13,112,000	$13,200,000
Personnel	9,047,358	10,331,399	10,706,000	11,352,000
Travel	475,353	493,995	520,000	528,000
Other	1,695,592	1,629,455	1,886,000	1,320,000
LOCAL LEVEL				
Positions	4,369	4,507	4,540	4,540
Full Time	2,302	2,349	2,400	2,400
Part Time	2,067	2,158	2,140	2,140
Participants	2,481	2,520	2,545	2,545
Funds:	$20,381,697	$22,545,151	$23,988,000	$23,900,000
Personnel	17,958,468	20,000,772	21,210,000	20,554,000
Travel	493,843	532,888	550,000	956,000
Other	1,929,386	2,011,491	2,228,000	2,390,000
TOTALS:				
Positions	5,597	5,781	5,821	5,821
Full Time	3,456	3,561	3,607	3,607
Part Time	2,141	2,220	2,214	2,214
Participants	2,535	2,575	2,601	2,601
Funds:	$31,599,500	$35,000,000	$37,100,000	$37,100,000
Personnel	27,005,826	30,332,171	31,916,000	31,906,000
Travel	969,196	1,026,883	1,070,000	1,484,000
Other	3,624,978	3,640,946	4,114,000	3,710,000

EXHIBIT 4

COUNTERFORCE TARGET AREA POPULATION

FEMA Region	Counterforce Areas	Risk Population		Host Resident Population
		Urban Area 1/	Target Area 2/	
I	3	741,928	525,437	316,300
II	3	376,303	238,167	528,200
IV	8	1,893,053	1,209,369	1,328,100
V	6	1,709,937	1,077,610	1,276,900
VI	11	1,757,134	1,525,766	1,416,600
VII	4	916,632	908,394	568,300
VIII	7	680,691	680,691	607,400
IX	6	1,943,489	1,360,505	1,172,200
X	3	380,733	137,556	292,900
TOTALS	51	10,399,900	7,663,495	7,506,900

NOTES (1970 Population data):
1/ Urbanized areas in and near counterforce target areas.
2/ Population of counterforce target areas only.

EXHIBIT 5
Page 1

COUNTERFORCE AREAS
Status of Crisis Relocation Plans
(As of February 1981)

FMA REGION	STATE 1/	COUNTERFORCE AREA	CRISIS RELOCATION PLANS ((R)* Risk R	C	E	(C)** Host R	C	E	(E)*** Combined R	C	E	ESTIMATED MAN-YEARS TO COMPLETE
I	CT	Groton NF a/	8	0	0	2	0	0		0		2.7
I	ME	Loring AFB	6	2	0	4	4	0	1	0	0	.9
I	MA	Westover AFB	28	0	0	22	0	0		0		7.8
I	NH	Pease AFB	6	0	0	3	0	0	1	0	0	4.4
I	NH	Portsmouth NF a/	(Included with Pease AFB)									-
II	NJ	McGuire AFB	4	0	0	5	0	0	2	0	0	15.7
II	NY	Plattsburgh AFB		0			0		1	1	1	0 2/
II	NY	Griffiss AFB		0			0		2	0	0	2.2
III	VA	Norfolk NF a/	9	3	0	33	19	0	3	1	0	12.4
IV	FL	Homestead AFB	1	0	0	1	0	0		0		1.8
IV	FL	McDill AFB	1	0	0	6	0	0	1	0	0	3.0
IV	FL	McCoy AFB		0		1	0	0	1	0	0	3.1
IV	GA	Kings Bay NF		0		1	0	0	2	0	0	1.0
IV	GA	Robins AFB	1	1	1	6	6	6	3	3	3	0 2/
IV	MS	Columbus AFB	2	0	0	2	2	0	1	1	0	1.8
IV	NC	Seymour-Johnson AFB		0		1	1	0	1	1	0	0 3/
IV	SC	Charleston NF		0		4	0	0	2	0	0	.5
V	IN	Grissom AFB	1	1	1	1	1	1	1	1	1	0 2/
V	MI	Kincheloe AFB		0		1	1	1	1	1	1	0 2/
V	MI	K. I. Sawyer AFB		0		2	2	2	1	1	1	0 2/
V	MI	Wurtsmith AFB		0			0		2	0	0	1.8
V	OH	Rickenbacker AFB	1	0	0	9	2	0	5	2	0	4.7
V	OH	Wright-Patterson AFB	1	0	0	6	0	0	5	0	0	7.3
VI	AR	Little Rock AFB Complex	5	0	0	17	17	0	2	2	0	4.4
VI	AR	Blytheville AFB	1	0	0	6	6	0	2	0	0	2.7
VI	LA	Barksdale AFB		0		8	8	0	1	1	0	0 3/
VI	NM	Roswell AFB	1	1	0	3	3	0		0		0 3/
VI	OK	Altus AFB	1	0	0	2	0	0		0		1.8
VI	OK	Clinton-Sherman AFB	1	0	0	2	1	0		0		1.3
VI	TX	Amarillo AFB		0		7	7	7	1	1	1	0 2/
VI	TX	Bergstrom AFB		0		3	3	0	1	1	0	0 3/
VI	TX	Carswell AFB		0		23	23	6	3	3	3	0 2/
VI	TX	Dyess AFB	1	1	1	3	3	3	1	1	1	0 2/
VI	TX	Sheppard AFB	1	0	0	3	3	0		0		.9
VII	KS	McConnell AFB Complex	6	0	0	13	0	0	3	0	0	5.1
VII	KS	Schilling AFB		0		4	0	0	1	0	0	.9
VII	KS	Forbes AFB		0		6	0	0	1	0	0	3.6
VII	MO	Whiteman AFB Complex	12	12	0	7	7	0	1	0	0	.9
VII	NE	Offutt AFB a/	2	0	0	28	0	0	2	0	0	16.4
VII	NE	Warren AFB Complex	8	0	0	11	0	0	2	0	0	10.0

(Continued)

(Continued)

EXHIBIT 5
Page 2

FEMA Region	STATE 1/	COUNTERFORCE AREA	CRISIS RELOCATION PLANS ((R)* Risk R	C	E	(C)** Host R	C	E	(E)*** Combined R	C	E	ESTIMATED MAN-YEARS TO COMPLETE
VIII	MT	Glasgow AFB		0			0		1	1	0	0 3/
VIII	MT	Malmstrom AFB Complex	7	0	0	4	3	0	2	1	0	3.8
VIII	ND	Grand Forks AFB Complex	10	5	0	3	2	0	1	1	0	2.0
VIII	ND	Minot AFB Complex	8	0	0	7	0	0		0		5.6
VIII	SD	Ellsworth AFB Complex	7	0	0	14	6	0		0		4.9
VIII	UT	Hill AFB	1	1	0	2	2	0	1	1	0	0 3/
IX	AZ	Davis-Monthan AFB Complex		0		3	2	2	4	2	1	2.9
IX	CA	Beale AFB		0			0		1	0	0	.9
IX	CA	Castle AFB		0			0		1	0	0	.1
IX	CA	March AFB		0			0		2	0	0	6.4
IX	CA	Mather AFB		0			0		5	0	0	5.1
IX	CA	Travis AFB		0		1	0	0	1	0	0	1.3
IX	CA	Mare Island NF a/	(Included with Travis AFB)									
IX	CA	San Diego NF a/		0			0		1	0	0	3.3
IX	GU	Anderson AFB a/	1	0	0		0			0		.9
IX	HI	Pearl Harbor NF a/		0		3	0	0	1	0	0	2.7
X	AK	Eielson AFB a/		0			0		1	0	0	.9
X	ID	Mountain Home AFB	1	1	1	1	1	1		0		0 2/
X	WA	Bremerton Sub Support	1	0	0	1	0	0	1	0	0	2.7
X	WA	Bremerton-Bangor NF a/	(Included with Bremerton Sub)									
X	WA	Fairchild AFB		0		7	7	7	1	1	1	0 2/
TOTALS			144	28	4	302	142	36	81	28	14	162.6
Percent of Totals				19	3		47	12		35	17	

* Required
** Completed
*** Exercised

1/ Facility location only.
2/ All required planning completed and exercised--10 Counterforce Areas.
3/ All required planning completed but not exercised—6 Counterforce Areas.
a/ Counterforce Areas added by FEMA, January 1981.
NF Naval Facility
AFB Air Force Base

EXHIBIT 6

CRP-NEGOTIATED GOALS
FY 1981--FY 1982

FEMA Region	No. of CRP's		No. of Mini-CRP's		No. of CRP Exercises	
	FY 1981	FY 1982	FY 1981	FY 1982	FY 1981	FY 1982
I	22	30	327	310	0	6
II	40	7	2	60	1	2
III	24	20	57	130	4	5
IV	48	45	298	180	8	8
V	47	40	271	217	6	6
VI	32	55	133	220	5	5
VII	16	20	75	140	4	4
VIII	42	30	141	50	4	6
IX	54	20	89	40	4	4
X	8	8	80	-40	6	4
Totals	333	275	1,473	1,387	42	50

Long Range Plan (National Totals)

	Fiscal Years					
	1982	1983	1984	1985	1986	1987-91
CRP	275	275	275	250	250	1,287
Mini-CRP	1,387	(Completed in FY 1982)				
CRP Exercises	50	(Number Determined Annually)				

STATUS OF CRISIS RELOCATION PLANS
FY 1979--FY 1980

FEMA Region	Risk Required	Risk Completed	Host Required	Host Completed	Combined Required	Combined Completed	NCP Planners Total	REP Plans
FY 1979								
I	422	0	610	0	0	0	12	
II	17	0	36	0	34	0	7	
III	49	2	152	14	58	1	11	
IV	40	3	298	26	100	9	30	
V	30	6	363	40	114	18	18	
VI	38	5	342	172	72	18	24	
VII	54	19	216	34	16	4	11	
VIII	40	2	129	9	20	2	14	
IX	2	0	44	2	36	5	13*	
X	14	1	56	6	8	0	5	
TOTALS	706	38	2,246	303	458	57	145	
Percent Completed		5.4%		13.5%		12.4%		

(Continued)

(Continued)

FEMA Region	Risk Required	Risk Completed	Host Required	Host Completed	Combined Required	Combined Completed	NCP Planners Total	REP Plans
FY 1980								
I	402	18	485	8	13	2	12	4.3
II	15	0	36	0	30	1	7	2.1
III	48	4	152	28	58	3	11	7.1
IV	41	4	320	41	100	17	30	7.6
V	30	6	363	51	114	24	18	9.6
VI	35	5	351	212	62	20	24	0.5
VII	40	13	215	19	34	1	11	1.4
VIII	39	7	129	21	21	5	14	2.6
IX	2	0	48	3	37	5	13*	1.0
X	12	6	56	8	13	2	5	0
TOTALS **	664	63	2,155	391	482	80	145	36.2
Percent Completed		9.5%		18.1%		16.6%		

* Includes 3 NCP planners hired by California.
** Includes Counterforce Area plans.

EXHIBIT 8

NCP CONTRACTS
FY 1979--FY 1980

FEMA All Regions	Planning Workyears						
	CRP	Mini-CRP	CSP	REP	Disaster	Miscellanous	Total
FY 1979							
Man-Years	100.43	0	20.50	3.72	2.07	17.52	144.24
Percent of Total	69.6 %	0%	14.2%	2.6%	1.4%	12.2%	100.0%
FY 1980							
Man-Years	65.98	2.57	12.99	41.55	1.37	13.74	138.20
Percent of Total	47.7%	1.9%	9.4%	30.1%	1.0%	9.9%	100.0%

	Total Contract Costs			
	Direct			
	Labor	Other	Indirect	Total
FY 1979				
Dollars	$3,631,170	$735,926	$340,828	$4,707,924
Percent of Total	77.1%	15.6%	7.3%	100.0%
$ Per Workyear ($144.24)				$ 32,640
FY 1980				
Dollars	$3,715,142	$757,966	$345,659	$4,818,767
Percent of Total	77.1%	15.7%	7.2%	100.0%
$ per Workyear ($138.20)				$34,869

Abbreviations:

CRP--Crisis Relocation Plan (Includes Counterforce Area Plans)
CSP--Community Shelter Plan
REP--Radiological Emergency Response Program

EXHIBIT 9

SUMMARY OF EMERGENCY OPERATING CENTERS

	National Totals					
	Protection Factor 100 or Greater		Protection Factor Less than 100		Total	
	Local	State	Local	State	Local	State
Fully Below Ground	919	87	124	1	1,043	88
PSI* 10 or Greater	72	23	6	0	78	23
Emergency Generator	1,362	127	748	14	2,110	141
14-Day Fuel Supply	1,210	124	453	10	1,663	134
Ventilation	1,318	124	825	12	2,143	136
Water Supply	1,089	117	537	9	1,626	126
Sanitation Kits	1,369	124	955	12	2,324	136
Displays	1,001	112	590	9	1,591	121
Day-to-Day Use	1,064	97	728	8	1,792	105
Radio Communication Capability Exists Between EOC and:						
Primary Operating Forces	1,345	108	1,040	12	2,385	120
Other Forces	1,139	87	779	10	1,918	97
Broadcast Media	608	90	309	9	917	99
Next EOC Level Up	1,124	72	859	6	1,983	78
Adjacent Jurisdiction	981	79	770	9	1,751	88
Total EOC's	1,614	130	1,396	15	3,010	145

* Pounds per square inch.

EXHIBIT 10
Page 1

RESEARCH SUMMARIES

1. Title: Feasibility of Isolating Vulnerable Equipment of the Electric Power System from Sources of EMP, by Stanek, E.K., March 1978, U.S. Department of Energy, Economic Regulatory Administration (Unclassified) (99 pages).

FINDINGS:

Approximately 50 percent of the Nation's power system could be switched within a 45-minute warning period to protect vulnerable equipment of the distribution system from failure due to EMP. The corresponding percentages for 30- and 15-minute warning periods were 45 percent and 27 percent, respectively. The percentage of distribution and transmission substations would appear to be significant in even the shortest warning period. If the switching is properly coordinated with changes in generation, it would not only protect the vulnerable equipment, but would also place the system in a more secure state with respect to stability.

2. Title: The Role of Citizens Band (CB) Radio Service and Travelers Information Stations (TIS) in Civil Preparedness Emergencies, by Rosenthal, M.I., System Development Corporation, May 1978 (Unclassified) (392 pages).

FINDINGS:

The report covered the following in depth:

(a) The results of five OMB approved surveys on use of CB radio (and attitudes toward same) from State government levels down through local civil preparedness units.

(b) Identified formal and informal CB organizations such as REACT, and ALERT, etc., and evaluated their potential utility in DCPA emergency operations.

(c) Evaluated TIS systems and found them potentially useful in civil preparedness emergencies involving movement of people in automobiles, such as in crisis relocation situations. (Recommended furnishing one TIS portable unit per DCPA region for deployment to emergency locations).

(4) Defined two alternative programs by which local civil preparedness agencies could guide and control the use of CB in emergencies, and identified the steps DCPA would take to encourage implementation of these two programs.

(Continued)

3. Title: The Applicability of Satellite Technology to Defense Civil Preparedness, COMSAT General Corporation, June 1978 (Unclassified) (96 pages).

FINDINGS:

Military and civilian satellite systems, flying and proposed, are evaluated from the technician's viewpoint for applicability to DCPA roles. Pros and cons are cited. A basic conclusion is that several civil/commercial units offer the best hope for DCPA use, but that considerations of survivability in the nuclear war environment inhibit reliance on all systems to a more or less degree. A 10-station regional nework of fixed stations, backed up with fixed or mobile State systems using smaller antenna is structured. A cost analysis shows leased transponders to cost $1.7 million per year (the space segment) with regional terminals costing $500,000 and State terminals much less. Dedicated systems cost about $165 million for the space unit; receiver stations are somewhat cheaper, but total costs are not much lower, if at all, because of the need for our own telemetering tracking and command ground stations.

Data collection from satellites offers considerable potential, as seen in forest and crop assessments in the open literature. Cloud sensing could perhaps be applied to fallout matters. Advanced capability now allows tracking dust clouds, with sufficient resolution to make the concept of tracking fallout clouds more reasonable than earlier evaluations indicated, though with no precise experimental data cited in the report. Ground sensors are easily polled by satellites, and this might be a reasonable DCPA approach to upgrading RADEF data collection.

4. Title: Distributed, Survivable Direction and Control Systems for Civil Preparedness--Concepts and Initial Designs, by Rosenthal, M. I., and Farr, L., December 1978, Rosenthal, Farr and Associates (Unclassified) (210 pages)

FINDINGS:

Communications connecting National, regional and State levels exist. They are provided by NAWAS, CDNATS, and CDNARS. However, at State and local levels available direction and control communications range from comprehensive to sparse. If DCPA chooses to retain NAWAS it should add a fail-safe capability which will permit local authorities to determine if a failure of the system signals the onset of an enemy attack and would thus result in local initiation of an attack warning. Secondly, the Agency should prepare a detailed analysis of the use of State law enforcement telecommunications network to distribute warning

(Continue

Among recommendations made with respect to the communication function are the following:

(a) Telephone service in risk areas will not survive a nuclear attack. Conversely, short-haul service may survive in host areas. However, host area telephone service should be regarded as a bonus and used as such. DCPA guidance should be modified to emphasize this approach.

(b) VHF and UHF transceivers are resistant to EMP damage and assume real significance in local operations. Thus, they should be incorporated into DCPA planning.

(c) DCPA should undertake a detailed analysis of a meteor burst communications system as an alternative for possible inclusion in the D-prime program.

(d) The Agency should develop guidance and procedures to accommodate the trend toward digital communications. (These are survivable types).

5. Title: Warning System Reevaluation and Local Government Guidance Update, by Bethel, D. C.; Bertsch, C. V.; and Driscoll, C. R., April 1979, Computer Sciences Corporation (Unclassified) (200 pages).

FINDINGS:

This report presents the results of a study to assess the capabilities of present and potential backbone warning systems and also State and local warning systems. The objective is to evaluate the capabilities of the warning system to disseminate a warning from the National or Alternate National Warning Center to Federal, State, and local officials, and to the general public. The evaluation gave particular emphasis on the impact of Crisis Relocation Plans (CRP) on the warning systems capabilities. Warning requirements and policy were also reviewed and changes recommended, as required. This report contains evaluation of backbone systems, including the National Warning System (NAWAS), Associated Press (AP), and United Press International (UPI) news wires; National Law Enforcements Telecommunications System (NLETS); Decision Information Distribution System (DIDS); and others.

Detailed analysis was made of Colorado State and local warning systems, addressing the Colorado Springs risk area and Fremont County host area, as well as a methodology guide for implementing report recommendations in the State and local areas.

(Continued)

6. Title: Outdoor Warning System Guide, by Keast, D. N., April 1979, Bolt, Beranek and Newman, Inc. (Unclassified) (77 pages).

FINDINGS:

The lack of data on the acoustic output spectrum of commercially available warning devices and on their vertical directivity patterns, was a serious limitation during this study. It is recommended that vendors be encouraged to obtain and provide such data so that more precise (and less conservative) decisions can be made about warning device siting.

Assuming the above data were available, it should be possible to prepare a computer program that would establish optimal siting of warning devices in a community, applying such constraints as the community wished to place on the warning system. A computer analysis could also take into consideration the fluctuating nature of background sounds, weather patterns, human activity patterns out of doors, etc., in order to provide statistical measures of warning probability under both CSP and CRP circumstances. It is recommended that DCPA prepare such a computer program, which could be made available to communities planning the installation or modification of an outdoor warning system. In the interim, this report updates the regular method.

7. Title: Mobile Low Frequency Warning System Feasibility Analysis, by Computer Science Corporation, November 15, 1980 (Unclassified).

FINDINGS:

Presents the results of a technical analysis and a cost estimate for a Mobile Low Frequency (LF) Warning System which is survivable against enemy attack through the use of redundancy and feasibility. The technical feasibility is shown based on shared use of AM, FM, or TV broadcast station facilities under PROGRAM D-Prime by LF mobile units to blanket the contiguous 48 States with warning messages relayed from the National Warnings Centers, or to warn of impending man-made or natural disasters and to coordinate recovery operations. Alternatives to the system architecture are discussed, and a preliminary system performance specification and cost estimate are included.

EXHIBIT 11

ENHANCED CIVIL DEFENSE PROGRAMS
Program D and Program D-Prime
(FY 1981 Dollars in Millions)

Fiscal Year	Program D	Program D-Prime	Actual/ Estimated
1981	$175.0	$136.4	$117.7
1982	314.2	222.2	134.0
1983	484.1	284.2	
1984	562.7	314.7	
1985	457.1	332.1	
1986	-	619.0	
1987	-	400.0	
Totals	$1,993.1	$2,308.6	
Maintenance*	$238.0	$235.0	
Average Annual Cost	$398.6	$329.8	$125.9

* Annual cost after attainment of Final Operating Capability

STATE AND LOCAL PREPAREDNESS

Mr. BOLAND. Turn to the next tab for State and Local Preparedness. The tabular summary on page 102 indicates that the total 1982 request is $99,274,000, an increase of $10,788,000 above the 1981 current estimate. However, as line L indicates, the $9,321,000 included in the 1981 current estimate for Management and Administration has been transferred in 1982. Thus, the comparable amount for 1981 is less than $80 million, making the increase above 20 percent, or $20 million.

Turn to page 105, Emergency Management Assistance. The total request is $43,940,000, an increase of $6,840,000 above 1981. The Carter budget summary on page 105 indicated a substantial increase projected in 1982 both in the number of State and local jurisdictions participating in the program as well as in the number of local-level personnel participating. The amended budget reflects only modest increases.

What documentation does FEMA have to support the January projected increases?

Mr. MCCONNELL. Sir, the projected increases are based on communities and States that have funding requirements currently in hand that are not being met by the funds available, plus their estimate of the number of communities that can come into the program as new participants. We have done as well as we could to translate these into people or workers and participating jurisdictions.

Mr. BOLAND. What are the current 1981 figures for State and local jurisdiction participation and local-level personnel participation?

Mr. MCCONNELL. Fiscal year 1981, State and local jurisdiction, 2,542; local personnel, 4,540.

Mr. BOLAND. Those are estimates. What are the actual figures for 1981?

Mr. BOLAND. You may supply that for the record.

[The information follows:]

EMA PARTICIPATION—FISCAL YEAR 1981

At the present time, we have not received all the fiscal year 1981 annual EMA submissions from the States, so we are unable to provide the actual, current number of participating State and local jurisdictions and their EMA-funded staffing. The figures given in the testimony are our best estimates at this time.

FEMA estimates 2,487 local particpants in the EMA program with 2,352 full-time positions and 2,188 part-time positions. On the State level, FEMA estimates all 50 States and five other entities (District of Columbia, Puerto Rico, Virgin Islands, Guam, Northern Marianas) will be participating in the program, with 1,201 full-time positions and 97 part-time positions.

REVISION OF 1982 ESTIMATES

Mr. BOLAND. Why have the 1982 estimates been revised in the March amendment?

Mr. MCCONNELL. The figures used originally were the ultimate figures for an eventual requirement. It was merely a typographical inclusion. This would be the number of participating subdivisions and local-level personnel if we had matching funds at a rate of about $65 million a year.

Mr. BOLAND. Most of the Emergency Management Assistance funds are provided on a 50-50 matching grant basis. Isn't it true however, that some States provide more than 50 percent?

Mr. MCCONNELL. Absolutely.

Mr. BOLAND. Can you indicate what the total State support was for 1981 and what you expect it to be for 1982?

Mr. MCCONNELL. May we provide that for the record?

Mr. BOLAND. Certainly.

[The information follows:]

STATE/LOCAL EMA SHARES

Local jurisdictions submitting program papers reported that they had more than $35 million of eligible EMA costs in fiscal year 1981. FEMA estimates it will be able to match only $23,458,000—a gap of $12 million. FEMA anticipates that the fiscal year 1982 funding-level relationship will be comparable. We do not have complete data from the States on their funding in excess of the 50 percent share.

Mr. BOLAND. For the record, provide a detailed breakout by State of the $43,940,000 requested.

[The information follows:]

Emergency management assistance projected State allocations—fiscal year 1982

[In thousands of dollars]

Region I:	
Connecticut	646
Maine	517
Massachusetts	1,066
New Hampshire	163
Rhode Island	301
Vermont	190
Total	2,883
Region II:	
New Jersey	1,292
New York	3,781
Puerto Rico	806
Virgin Islands	85
Total	5,964
Region III:	
Delaware	203
Dist. of Columbia	223
Maryland	913
Pennsylvania	1,916
Virginia	961
West Virginia	328
Total	4,544
Region IV:	
Alabama	978
Florida	1,491
Georgia	1,232
Kentucky	624
Mississippi	606
North Carolina	1,146
South Carolina	747
Tennessee	774
Canal Zone	
Total	7,598

Region V:	
Illinois	1,630
Indiana	824
Michigan	1,442
Minnesota	1,401
Ohio	1,180
Wisconsin	1,113
Total	7,590
Region VI:	
Arkansas	623
Louisiana	823
New Mexico	204
Oklahoma	669
Texas	1,564
Total	3,883
Region VII:	
Iowa	598
Kansas	547
Missouri	721
Nebraska	412
Total	2,278
Region VIII:	
Colorado	469
Montana	338
North Dakota	283
South Dakota	309
Utah	272
Wyoming	138
Total	1,809
Region IX:	
Arizona	573
California	4,056
Hawaii	487
Nevada	310
American Samoa	0
Guam	70
Trust Territory	24
Total	5,520
Region X:	
Alaska	316
Idaho	220
Oregon	508
Washington	827
Total	1,871
Total of regions	43,940

SUPPORTING MATERIALS AND MAINTENANCE AND SERVICES

Mr. BOLAND. Turn to page 107, the justification for Supporting Materials, and Maintenance and Services. The 1982 request of $7,037,000 reflects a $2,922,000 increase above 1981.

How much has been provided for this program since its inception? You may supply that for the record.

[The information follows:]

SUPPORTING MATERIALS/MAINTENANCE AND SERVICES

Funds obligated for these activities from fiscal year 1952 through fiscal year 1978 totaled $200,295,508. Fiscal year 1979 appropriations were $3,412,000 for Supporting Materials and $1,780,000 for Maintenance and Services, for a total of $5,192,000. In Fiscal year 1980, no funds were appropriated for Supporting Materials; $1,934,000, for Maintenance and Services. The fiscal year 1981 appropriations of $4,115,000 provided (excluding program staff costs) $1,900,000 for Supporting Materials and $1,934,000 for Maintenance and Services. (These are now administered as separate programs.) Thus, funds provided for these activities since their inception (including program staff costs for fiscal year 1979–81) have total $211,536,508.

Mr. BOLAND. What amount of the total material provided is still usable?

Provide that for the record.

[The information follows:]

SUPPORTING MATERIALS STILL USABLE

FEMA does not maintain an inventory of property purchased by State and local governments with Federal funds. The State or local government is the owner of the property.

Grantees in receipt of Federal funds for the purchases of non-expandable equipment are required to maintain property records. These records must include a description of the property, manufacturer's serial number or other identification number, acquisition date and cost, source of the property, percentage of Federal funds used for purchase of the property, location, use, and condition of the property.

In addition to the above, grantees must take physical inventory of the property at least once every two years, specifying current utilization and continued need, maintain a control system to insure adequate safeguards to prevent loss, damage, or theft, and provide adequate maintenance of equipment to keep the equipment in good condition.

Mr. BOLAND. Why is the Supporting Materials program doubling in 1982?

Mr. MCCONNELL. This is as much as we could include in the program—it shows a general increase as reflected in the total increase of the Civil Defense budget from $120 million to $133 million.

Mr. BOLAND. The Equipment Maintenance and Calibration activity of the Radiological Defense program is addressed on page 112. For the record, provide comparable 1981 numbers on program activity in this area.

[The information follows:]

ACTUAL FISCAL YEAR 1981 ACTIVITY—MAINTENANCE AND CALIBRATION OF RADEF EQUIPMENT

Actual fiscal year 1981 Activity:

(1) Deployment of instruments;

(2) Operability testing 50,600 shelter and operational sets of radiological equipment;

(3) Reliability and assurance testing of a sampling of 14,000 retrofitted instruments;

(4) Calibration of 73,600 high-range instruments;

(5) Repair of 35,000 instruments;

(6) Perform 2,100 tests on FEMA training source sets and other radioactive materials on loan to States to assure their integrity and safety for use;

(7) Furnishing replacement batteries to local jurisdictions on a two-year cycle;

(8) Retrofitting 12,000 CDV-715 radiological survey meters.

Mr. BOLAND. The increase requested in 1982 is $1,250,000. Page 113 indicates this is for an additional 29 man-years of effort required to continue complete servicing of instruments on a four-year cycle and support annual operational checks by local emergency service and volunteer personnel.

Is it true that all these man-years of effort will be on a contract basis?

Mr. McConnell. That is correct, sir.

Mr. Boland. What is the total amount of work years represented by the $4,250,000 requested in 1982?

You may supply that figure for the record.

Mr. McConnell. Thank you.

[The information follows:]

MAN-YEARS OF EFFORT PROVIDED FOR FUNDING FISCAL YEAR 1982 MAINTENANCE AND CALIBRATION OF RADEF EQUIPMENT AT $4,250,000

The $4,250,000 requested in fiscal year 1982 will provide funding for a total of 150 man-years which is a net increase of 17 man-years effort above the 1981 actual program.

The finding request for fiscal year 1982 is not an increase of $1,250,000 above actual fiscal year 1981 for the following reasons: Original 1981 funding estimates at $3,000,000 provided for 120 man-years of effort. This level of effort proved to be inadequate to support a minimum level capability for most States. We allocated an additional $504,000 of monies programmed for RADEF to provide overall 1981 RADEF equipment maintenance and calibration funding at $3,504,000 which provides support for 133 man-years. In reality, the fiscal year 1982 budget is a net increase of $746,000. This takes into consideration, adjustments for cost of living for 133 man-years and funding of 17 additional man-years of effort.

STATE RADIOLOGICAL DEFENSE OFFICERS

Mr. Boland. Turn to page 114, the State Radiological Defense Officers activity. The 1981 amount for this program is $880,000. The 1982 request is $2,020,000. Let me recite General Camm's response during last year's hearings when he was asked what the full-year cost of this program would be in fiscal year 1982. On page 394 of the 1981 hearings, General Camm stated:

That will depend on the extent to which the Civil Defense budget is adjusted in fiscal year 1982, but I think this amount is based on 9 months—I would guess it would be something like $1.2 million in 1982.

The 1981 funding level was based on one State Radiological Defense Officer in each of the 31 counterforce States. Apparently, the 1982 request is based on one State RDO in each State, the District of Columbia, and Puerto Rico.

Is that correct?

Mr. McConnell. That is correct, sir.

Mr. Boland. What accounts for the change from the testimony given to the Committee last year?

Mr. McConnell. There probably was an underestimation of the cost per man, because we are funding for only five months of the fiscal year. The estimated cost of extending that to 12 months——

Mr. Boland. And 50 States.

Mr. McConnell. And 50 States is $2 million.

Mr. Boland. Page 115 cites that the Operational Guidance element will require $240,000 in 1982: there is no 1980 actual figures and no 1981 current estimate.

Has this operation been funded at all in the past?

Mr. McConnell. Yes, sir, there certainly has been periodic guidance prepared over the years.

Mr. Boland. Where were the resources carried?

Mr. Volland. It would have shown up in the Radiological Defense line item, but it was not identified specifically that way.

Mr. BOLAND. I presume this is a recurring requirement.

Mr. MCCONNELL. Except this is a special effort to update a great deal of the guidance material that has not been attended to recently and is needed for the new RDO's.

Mr. BOLAND. I have about three questions which I will submit for the record at this point.

[The questions and answers follow:]

Question. The program staff for the Radiological Defense element is increasing in the 1981 current estimate to $1,163,000, from $557,000 reflected in the 1981 budget estimate. Page 115 indicates that this is an internal adjustment and does not reflect an increase in staffing or budget.

Where have these positions been included in the 1981 budget estimate?

Answer. In the fiscal year 1981 budget justification all regional positions associated with Civil Defense programs were shown under Program Staff in the State and Local Civil Protection and Planning Assistance program. Under the new budget structure, the regional positions were distributed to various program areas. The number of regional positions assigned to Radiological Defense program was 13. The Reagan budget decision reduced this to ten. The $557,000 shown in fiscal year 1981 budget justification was increased by the pay raise for October 1980 and adjusted by the President's March 1981 reduction to a final total of $572,000.

NUCLEAR ATTACK CIVIL PREPAREDNESS

Question. The Nuclear Attack Civil Preparedness activity is described beginning on page 116. This activity reflects significant growth both in the 1981 current estimate and in 1982. The 1981 current estimate of $15,237,000 is nearly $5 million above the 1981 budget estimate of $10,422,000. Much of this increase is due to including Program Staff under this element. The 1982 request of $19,027,000 reflects additional growth of $3,790,000

Page 117 indicates that crisis relocation plans, when fully developed for all U.S. risk and host areas, have the potential to prevent some 31 million fatalities. These plans are prepared under the Nuclear Civil Protection Planning element.

When do you estimate crisis relocation plans will be fully developed?

The next paragraph indicates that planning for counterforce areas will be completed in fiscal year 1982, and planning for large metropolitan areas will be commenced at that time. How many large metropolitan areas that are not in counterforce areas currently have crisis relocation plans?

Answer. FEMA currently estimates that initial CRP's should be completed by roughly the end of the decade. This assumes continued work by a force of about 205 NCP planners, as provided for in the fiscal year 1981 and 1982 budgets. Initial CRP's focus on moving evacuees from risk areas, and providing feeding, temporary lodging, and fallout protection in host areas.

Initial CRP's do not, in general, identify in detail essential industries which must be kept operating during the evacuation period to support evacuees. "Enhanced" CRP's improve the level of planning—including identification of essential industries; on-site work with such industries to develop detailed plans for key worker identification, organizational relocation, commuting, and blast protection in risk areas; planning for organizational relocation by other-than-essential industries; development and exercising of sub-systems, such as school organizations for reception and care of evacuees; and planning for crisis actions to protect industrial equipment. The enhanced level of planning will improve confidence that CRP's could be effectively executed should the need arise, and that the evacuation posture be maintained for extended time periods. At the fiscal year 1981/1982 level of effort, we estimate that CRP's will be fully developed (including initial plus enhanced plans) by about 2003.

FEMA now expects that CRP's for counterforce (CF) areas will be about 90 percent completed by end fiscal year 1982, with the balance completed during fiscal year 1983. This change results from the addition of 18 CF areas by DoD, in February 1981.

An initial CRP has been completed for only one non-counterforce city of roughly one million risk population, San Antonio, Texas. Planning has been completed for portions of the Dallas and Detroit areas.

It should be noted that some of the counterforce risk areas are of substantial size (e.g., Fort Worth, Texas, with about 740,000 people at risk; Columbus, Ohio, about 990,000; and Norfolk, Virginia, about 675,000). CRP's for these areas should be completed by end fiscal year 1982 or early fiscal year 1983.

Of course, preparing a good crisis relocation plan is not sufficient. If the plans are not easily implemented or if the people necessary to implement the plans are not familiar with their assignments, even a good plan cannot succeed.

Question. Do the necessary people know what to do to implement a crisis relocation plan?

In general, are you comfortable that CRPs could be implemented within the time and resource constraints that would probably exist?

Answer. As CRP's are completed, exercises are conducted to evaluate the plans and to familiarize key local and State officials with their assignment for implementing the plans. Our emphasis has been on completing initial plans, for without a plan there would be nothing to exercise. FEMA is placing increasing stress on exercising plans, in fiscal year 1981 and 1982, and CRP exercises are included in Regional Goals.

As of September 30, 1980, CRP's had been completed for 15 counterforce "conglomerates" (the CF risk area plus all associated host areas). Exercises had been conducted in ten of these 15 conglomerates. To assure that the necessary people know what to do to implement plans, CRP exercises should be repeated on approximately an annual basis.

In general, FEMA is comfortable that where initial CRP's have been completed, key officials have been exercised, and emergency maps and instructions for the public have been prepared for crisis dissemination, the plans could be effectively implemented. Almost all risk areas could be evacuated within one to three days, and it is highly probable that this much time would be available. The U.S. Intelligence Community has estimated that it would take a week or so to evacuate Soviet cities during a crisis, and such a movement would provide time for evacuation of U.S. cities. Of course, there can be no absolute guarantee of enough time to evacuate U.S. cities, and for this reason the U.S. Civil Defense program is to maintain a hedge for protecting our population "in-place" (without evacuation, or with only partial evacuation), by sheltering people in best-available protection in homes or in nearby larger structures.

Resources constraints would include ability to provide food, fuel, and other essentials for the evacuated population. CRP's are to provide for such resources, primarily by key workers commuting into risk areas to keep food production and other essential activities functioning. Current "initial" CRP's include little detail in these areas, whereas eventual "enhanced" CRP's will include more detail, thereby improving confidence that CRP's could be effectively executed should the need arise.

Mr. BOLAND. The total increase in Nuclear Civil Protection Planning in 1982 is $1,567,000. However, paragraph D indicates:

"Funds requested will provide for a total of 205 NCP planners (the same as in fiscal year 1981)."

With the same number of planners anticipated in 1982, why do you need an additional $1,567,000?

Mr. MCCONNELL. The addition of the 60 planners in fiscal year 1981 was for six months and for extending those 60 planners to 12 months plus the 145 planners on board previously, it totals the increase.

Mr. BOLAND. In last year's hearings on page 394, General Camm indicated that there were 60 NCP planners. Again, why do you need this additional $1,567,000 if the number of NCP planners is the same?

Mr. MCCONNELL. For fiscal year 1981, those 60 were employed for only six months. This is extending their employment to 12 months.

NATIONAL SHELTER SURVEY

Mr. BOLAND. On page 118, the National Shelter Survey activity reflects an increase of $990,000 in 1982 to a total of $3,677,000. The objective of this program is to locate and mark potential public fallout shelter space for use in event of an attack.

How many such spaces are currently marked?

Mr. MCCONNELL. The marking program nationwide is sadly deteriorating.

Mr. BOLAND. Why?

Mr. MCCONNELL. Because of lack of funds to keep it upgraded over the years. We hope to at least get some start and some experience in costing and methodologies.

Mr. BOLAND. What is required to keep the program upgraded over the years? What are you talking about here, when you are talking about marking?

Mr. MCCONNELL. Placing signs on the exterior of a building.

Mr. BOLAND. Why in the world does that deteriorate? Why can't local communities keep up the markings so they won't deteriorate? That seems to me to be a simple enough activity.

Mr. MCCONNELL. It seems like a reasonable statement, but the fact of the matter is it does not occur.

Mr. BOLAND. I cannot understand why it does not.

How many spaces have been located, but are unmarked? Do you have a specific number on that?

You may supply that for the record. I presume you know what particular locations should be marked.

Mr. MCCONNELL. Yes, sir.

[The information follows:]

SHELTER MARKING—FACILITIES TO BE MARKED

We estimate that there are about 119,000 facilities marked by efforts during the 1960s. Since 1970 we have not had funds for marking. Our current planning is based on an anticipated requirement to mark about 225,000 additional facilities.

Mr. BOLAND. Of the shelters marked, how many are in host areas, and how many in risk areas?

You may supply that for the record.

Mr. MCCONNELL. We will.

[The information follows:]

SHELTER MARKING—RISK/HOST AREAS

Since the concept of host and risk area planning did not exist in the late 1960s, our records do not reflect this information.

However, we do know from experience that the majority of shelter facilities are in the populated areas, and thus the majority of marked spaces would likely be found in the risk areas. We estimate that about ⅘ of the marked facilities are in risk areas.

SHELTER SURVEY SUMMER HIRES

Mr. BOLAND. We will turn to page 119, which contains a tabular summary of activities in the Shelter Survey activity. The number of summer hires reflected in the 1981 estimate is 220. The comparable figure contained in the budget estimate last year was 246. Also, last year you estimated the number of facilities to be surveyed would be 96,000 and now that figure is 215,300.

What accounts for these changes?

Mr. MCCONNELL. Productivity increase. Obviously, we accomplished more than we anticipated, particularly because most of the survey was done in host areas where the rate per man day is much higher.

Mr. BOLAND. I will say you did—you did very well. That is a good answer.

Is it correct that the supervision provided by regional staff is reflected in the Program Staff element? Also, what costs other

than those for the summer hire students and the number of co-op students are reflected in the $3,677,000 requested for 1982?

Mr. McCONNELL. There is a small administrative cost which goes to the Corps of Engineers for actually handling employment of summer hires.

Mr. BOLAND. The top of page 120 provides the Shelter Survey Status for fiscal years 1981 and 1982. In the 1981 budget justifications, page 520 of the hearing volume, I see that the previous fiscal year 1981 estimate for All-Effects Survey (Risk Areas) in counterforce areas had been 55 percent. The justifications this year indicate 100 percent. That is a result of productivity, too, isn't it?

Mr. McCONNELL. We will recheck that data, sir. I think it is fairly accurate.

Mr. BOLAND. We would like to know which number is accurate and what accounts for the change.

You may supply that for the record.

Mr. McCONNELL. All right.

[The information follows:]

SHELTER SURVEY PRODUCTIVITY

In preparing the fiscal year 1981 Budget Justification in late 1979, FEMA estimated that work in the Counterforce Area All-Effects Survey (Risk Area) would be approximately 55 percent completed by end fiscal year 1981. This estimate was predicated on completion of Counties to be surveyed and did not reflect actual accomplishments during the summer of 1980. In preparing the fiscal year 1982 Budget Justification, a different method for estimating survey completion was used. The fiscal year 1982 submission was predicated on the estimated number of facilities to be surveyed in lieu of counties to be surveyed and this approach represented a more accurate means of estimating facility survey completion. In analyzing the results of the survey effort for the summer of 1980, FEMA found that additional facilities in counterforce risk or combined risk-host area had been surveyed, even though the entire county had not been completed. Thus, when the fiscal year 1982 Budget Justification was prepared, FEMA found that on a facility basis, the All-Effects Survey in the 51 counterforce risk areas identified at that time would be completed by end fiscal year 1981.

The data appearing at the top of Page 120 in the fiscal year 1982 Budget Justification reflects FEMA's best estimate of completion of counterforce risk area surveys, and is more accurate than the data contained in the 1981 Budget Justification, calculated on a county basis for the 51 counterforce areas then in effect.

It should be noted that as a result of discussions with DoD, 18 counterforce areas have been added and six deleted bringing the current total of counterforce areas to 63. This increase in the number of risk counterforce areas requires additional survey effort. Thus the All-Effects Survey for the 63 counterforce areas will be about 95 percent completed by end fiscal year 1981 and 100 percent completed by end fiscal year 1982.

Mr. BOLAND. Also the compatible figures for All-Effects Survey (Risk Areas) nationwide for fiscal years 1980 and 1981, which are 17 percent and 19 percent respectively in the 1982 justifications, and were three percent and five percent in the 1981 justifications.

What accounts for these significant variations?

You may supply that for the record.

[The information follows:]

SHELTER SURVEY PRODUCTIVITY

The data in the fiscal year 1981 Budget Justification for All-Effects Survey (Risk Areas), estimated at three and five percent by end fiscal year 1980 and 1981, respectively, were calculated on the basis of complete counties surveyed. In preparing the fiscal year 1982 Budget Justification, the percentage completion was based on estimated facilities remaining to be surveyed, as opposed to risk counties requiring survey. This approach reflects a more accurate status inasmuch as some of the

larger combined risk-host counties may require two years for completion, whereas under the facility basis, credit is taken as the data is processed. Thus the three percent completion of risk area survey (as measured on a county basis) was equivalent to 17 percent completion (measured by facilities) by end of fiscal year 1980. The five percent estimate of completion by end of fiscal year 1981 (as measured by counties) is equivalent to 19 percent (as measured by facilities).

SHELTER MARKING

Mr. BOLAND. The Shelter Marking activity is increasing from $100,000 in the 1981 current estimate to $500,000 in 1982. The $100,000 in 1981 was requested to mark 4,000 shelters, for an average price per shelter of $25. Paragraph D indicates the average cost is $40 anticipated for 1982.

Why has the average cost increased 60 percent in one year?

Mr. MCCONNELL. By experience and actually by determining methods of posting signs, sir, we hope to reduce that figure by alternative methods, but it is the best figure we have at the present time.

Mr. BOLAND. Paragraph D on page 120 indicates that the $500,000 will enable marking 8,400 facilities; however, $500,000 divided by $40 for average cost yields 12,500.

Mr. MCCONNELL. I have to check that.

Mr. BOLAND. How many facilities do you really anticipate marking in 1982?

Mr. MCCONNELL. I have said 8,400. I will have to double-check that, sir.

Mr. BOLAND. The Shelter Stocking activity is also reflecting significant growth, from $100,000 in 1981 to $400,000 in 1982. The average cost of a shelter kit is increasing from $128 in 1981 to $150 in 1982. This represents a 17 percent increase. How do you account for this increase?

Mr. MCCONNELL. A determination of production methods and so forth, the figures obviously are a year apart, and we had not done any actual engineering studies on production methods prior to the availability of the $100,000 in fiscal year 1981.

Mr. BOLAND. The package ventilation kits activity is doubling in 1982 to $200,000. The 1981 justifications indicated that procurement would begin in 1982. Paragraph D on page 121 indicates that procurement is now scheduled for fiscal year 1983 and succeeding years.

What is the reason for this slippage?

Mr. MCCONNELL. Actually, the delayed availability of the budget, for one thing. We intended to develop the procurement package on the bicycle-type ventilation kit. This however includes drawings, procurement specifications and so forth, which has not been completed as yet. But the early estimates are that we will not get it completed before the end of the year, so the $200,000 would be used for completion of the work started in fiscal year 1981 to develop a mass-production-type capability, only the engineering concept of mass production.

Mr. BOLAND. I have several questions to be inserted in the record at this point.

[The questions and answers follow:]

Question. In 1982, the Crisis Shelter Upgrade planning activity increases to $400,000 from the $325,000 planned in 1981. The 1981 justification indicated that 11

crisis shelter planners would be added in selected counterforce States to initiate development plans and to pilot test planning guides.

Are these planners currently on board?

How many total planners do you intend to support in 1982 with the $400,000 requested?

Answer. The original intent, when the fiscal year 1981 budget justification was prepared in late 1979, was to add 11 crisis shelter planners in selected counterforce (CF) States, to initiate development of plans and to pilot-test planning guides that were to be developed in fiscal years 1980/1981.

It became apparent in September 1980 that the guides for crisis shelter upgrade planning would not be available early enough in fiscal year 1981 to warrant hiring 11 planners (as State employees, under Regional-State contracts). Rather, it was concluded that the most effective use of the fiscal year 1981 funds would be to contract in the latter part of fiscal year 1981 to test the guides, through the development of crisis shelter upgrade plans for the host counties surrounding two CF risk areas. In addition, the contractor will be required to develop a training package and to conduct on-site training for planners.

Thus, none of the 11 planners anticipated in the fiscal year 1981 budget justification are currently on board, nor do we contemplate contracting with any of the States to add such planners during fiscal year 1981.

The $400,000 requested for fiscal year 1982 will support ten planners. This amount includes salaries plus travel expenses for on-the-job training at the two counterforce prototype projects noted above.

EMERGENCY INSTRUCTIONS TO PUBLIC

Question. A new activity, Emergency Instructions to the Public, is reflected on page 122. The middle of the page indicates: "Funds requested will permit printing of emergency instructions to the public in approximately 200 different telephone directories. Priority will be given to publishing such information in counterforce, risk area directories."

How does this activity differ significantly from the Emergency Public Information operation described on page 135 of the justifications?

Answer. The new activity to provide emergency instructions for the public will support printing crisis relocation maps and instructions in an estimated 200 risk area telephone directories. These instructions on "where to go and what to do," in case crisis evacuation is directed, would be readily available in most households, and would be reinforced by the more detailed newspaper supplements now developed during crisis relocation planning, for publication during a period of acute crisis. The telephone-directory approach is currently used in Norway and Sweden, and is being pilot-tested during fiscal year 1981 in Plattsburgh, NY, and other locations. Thus, the thrust of providing emergency instructions for the public is to provide instructions that are specific to the locality, based on the crisis relocation plan for that locality.

The Emergency Public Information operation described at page 135 of the fiscal year 1982 Budget Justification relates to general (as opposed to locally-specific) information—for example, general information on attack effects and on shelter and other means of protection. Stress will be on development of local and State operational systems for providing emergency information to the public via broadcast media and public information channels other than printed supplements. The fiscal year 1982 funds are designed for prototype efforts in a few selected States to address emergency public information needs not necessarily related to CRP.

Mr. BOLAND. Page 123 contains a tabular summary of program staff expenses. The total requested for Nuclear Civil Protection Planning is $1,631,000. Dividing the $443,000 requested for 11.7 headquarters work years yields an average cost per work year of $37,863. The comparable average work year cost for the 27 regional work years is $44,000. Why do regional work years cost more than headquarters work years?

Mr. MCCONNELL. I am informed that one of the factors that increased the cost was the fact that practically all the people in the regional offices are engineers, and therefore the grade level is higher and it gives a different factor. I am not sure that accommodates the entire difference.

Mr. BOLAND. You may amplify that answer for the record.

[The information follows:]

NUCLEAR CIVIL PROTECTION PLANNING STAFF OFFICES

The tabular summary of program staff expenses for the Nuclear Civil Protection Planning program totaling $1,631,000 includes travel expenses associated with both the headquarters and Regional staff.

The travel included for headquarters staff is $9,000 leaving $434,000 of salaries and benefits for 11.7 work years, average work year cost $37,094.

The travel included for Regional staff is $190,000, leaving $998,000, of salaries and benefits for 27 work years, average work year cost $36,962.

Mr. BOLAND. I have a question to be inserted in the record at this point.

[The question and answer follows:]

MOBILIZATION DESIGNEE PROGRAM

Question. The Mobilization Designee program is addressed on page 125. No funds have been requested in 1982, compared to the 1981 program level of $2,355,000. The 1981 funds are being used to reimburse the Department of Defense for the use of military reserve personnel who serve as specialists on civilian staffs in time of emergency.

How much has been spent to date in 1981?

Describe the status of a possible new program that is mentioned in paragraph D. How much degradation of program operations do you estimate will occur if a new program is not implemented in 1982?

Answer. FEMA funding for the Mobilization Designee/Augmentee Program in fiscal year 1981 was a new line item. We could not authorize funding under the Continuing Resolution. Thus, from October 1980 until January 1981 we essentially froze approvals on requests for annual training, school tours, and special tours. In addition, we have not permitted new assignments, not even to fill vacancies which are occurring through transfers and retirements.

We are now routinely approving annual training and considering school tours and special tours on a case basis.

For fiscal year 1981, we have authorized $1.7 million to DOD subject to quarterly billings for actual costs. Since we have not received a first-quarter and second-quarter billing, we have not made an analysis of expenditures and rates against this estimate.

The area of discussion with DOD involves Military Mobilization Augmentation for FEMA requirements, whereas the current MOBDES program primarily supports State and local requirements. The discussions were initiated in the fall of 1980 as a result of an exchange of correspondence between DOD and FEMA. At present, basic policies and concepts are being staffed and have not been formally accepted by either DOD or FEMA at the policy level.

At the beginning of fiscal year 1981, there were 550 Army and 800 Air Force personnel in the MOBDES/MOBAUG program. We have reports that there has been an attrition of about 20 per month. FEMA made a commitment to its Regional offices and through them to State and local governments and thus to the reservists in the program that we would issue a definitive announcement in April 1981 with regard to augmentation possibilities in fiscal year 1982.

If some program continuance is not possible after fiscal year 1981, the present reserve personnel must be reassigned. FEMA cannot evaluate the degradation of program operations for the participating 50 States and 450 local governments. We do know that in many such localities, the services of the MOBDES will be sorely missed.

EMERGENCY OPERATING CENTERS

Mr. BOLAND. The Emergency Operating Centers element is described beginning on page 126. The 1982 request is $7,387,000, an increase of $1,045,000 above 1981.

What was your request to OMB for Emergency Operating Centers?

Mr. MCCONNELL. This is the amount we requested.

Mr. BOLAND. On page 128 there appears a Profile of Selected Required Local EOC Capabilities. The last paragraph indicates that

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the 1982 activity will address deficiencies shown in the table. What are these deficiencies? In other words, exactly which type and how many emergency operating centers does FEMA expect to build and upgrade in 1982?

I think you provided us with a figure earlier, but give it to us again, for 1982.

Mr. McCONNELL. The number isn't here, sir. We estimated so many needing upgrading. Sir, we do not have the number of specific EOCs that will be upgraded.

Mr. BOLAND. I thought you indicated a number when we were talking about EOCs during our discussion of the investigative report.

Mr. McCONNELL. We know how many in total which exist now need to be upgraded in relation to categories shown. We are not certain which of those fall into the priority category for attention this year for this small amount of money, nor whether or not the community can provide the matching funds or has a basis for in-kind matching.

COMMUNICATIONS AND WARNING POLICY

Mr. BOLAND. Turn to page 133, the justifications for Communications and Warning Policy. The 1982 estimate of $4,489,000 more than doubles the 1981 current estimate of $1,962,000. Most of the increase appears in the Broadcast Station Protection program. Page 136 indicates the activities that will be accomplished in 1982 assuming the funds requested are provided.

For the record, provide comparable 1981 numbers.

[The information follows:]

BROADCAST STATION PROTECTION PROGRAM

The following are activities planned for fiscal year 1981 funding:

Activity:	*Number*
New protected stations	8
Generator repair/replace	12
EMP retrofit	17
Shelter repair	7
Shelter replace	2
Program equipment (repair/replace)	5
Remote pickup units	22

Mr. BOLAND. How is a doubling of this activity warranted?

Mr. McCONNELL. There is a great deal of work to be done to keep this program upgraded. This is a series of key stations of the total broadcast stations in the country that would permit national and State broadcasting from an executive level and have them survivable after a nuclear attack. There has been practically nothing spent on this program except a minor maintenance effort for the past approximately ten years. So, we have a lot of catching up to do. There are stations that have been sold or replaced by large stations that need to be protected at the present time. The planning in connection with the Federal Communications Commission and the National Weather Service who assist us and the States is coming along in fine fashion. The commercial broadcasters are very, very cooperative. We just need to put more money into the program to keep it up to at least the degree of effectiveness that it had ten years ago.

RADIOLOGICAL EMERGENCY PREPAREDNESS

Mr. BOLAND. Turn to on page 141, the request for Radiological Emergency Preparedness. The Carter and Reagan 1982 requests are identical, at $4,260,000, which represents an increase of $2,518,000 over 1981.

In fiscal year 1980, the Agency requested an $8.9 million supplemental request for the Radiological Emergency Preparedness program. The House Committee on Appropriations felt that the justification did not support the request adequately and recommended a reduction of $7 million in the program. That action was agreed to by the full House. The Senate was even less impressed by the Agency's justification, and recommended zero funding. Conference action resulted in a $1.9 million REP supplemental, of which $1,590,000 is reflected on page 141.

For the record, provide a detailed object class breakdown of the $1.9 million approved supplemental.

[The information follows:]

Fiscal year 1980 radiological emergency preparedness supplemental

[Object Class Detail, in thousands of dollars]

11.0 Personnel	74
12.0 Personnel benefits	7
21.0 Travel and transportation of persons	176
24.0 Printing and reproduction	250
25.0 Other services:	
Training and education workshops for Federal, State, and local officials	500
Dosimeter engineering development	68
Contractual services:	
Improved warning techniques	175
National contingency plan development	100
Exercise evaluation	300
Evacuation evaluation studies	250
Total services	1,393
Total direct obligations	1,900

Mr. BOLAND. Where is the balance of the supplemental, the remaining $310,000?

Mr. VOLLAND. The $310,000 is in the Training and Education portion of the budget.

Mr. BOLAND. The funds were requested to help States develop evacuation plans to be used in connection with nuclear power plant disasters.

How many States currently have developed and approved plans?

Did the Agency complete and submit its report to the President by June 30, 1980, as it had intended to do? What were the major findings of the report?

You may respond to that for the record.

[The information follows:]

RADIOLOGICAL EMERGENCY PREPAREDNESS

This expands on the question of how many States currently have developed and approved radiological emergency preparedness plans. There are 49 operating sites, 39 sites under construction, and six that are planned in 38 States. Plans for these nuclear facilities involve 495 local and State jurisdictions. As of March 11, 1981, six plans have been approved through the FEMA approval process. Interim findings on the State and local preparedness for two additional plans were provided to the NRC.

261 State and local plans have been completed and are under review. 234 State and local plans are under development.

FEMA completed and submitted its Report to the President on June 30, 1980. The major requirement for that report was to review the status of State emergency plans in those States with operating reactors. The report addressed the combined activities of the States, local governments and cooperating Federal agencies to meet the President's objectives of improving the health and safety of the public living near nuclear power plants. The review indicated that all States with operating reactors are busily revising their plans as a first and vital step in assuring the optimum for levels of preparedness. FEMA is, however, less than satisfied with the level of actual preparedness in place, and is concerned about the ability of the Federal government to offer significant assistance to State and local governments in providing needed new, vital resources. Achievement of demonstrated preparedness is admittedly a more long-term process.

An additional copy of this report is being provided to the staff of this Committee.

COST OF REP PLAN

Mr. BOLAND. During last year's hearings I asked General Camm what the full year 1981 cost of the Radiological Emergency Preparedness plan would be. His response, on page 427 of the 1981 hearing volume, is as follows:

It amounts to $4.3 million, about half of what they are asking for in fiscal year 1980.

The figure on page 141 indicates a 1981 program of $1,742,000, plus $877,000 in the Training and Education activity, for a total of $2,619,000.

What accounts for the significant reduction in the 1981 estimate?

Mr. MCCONNELL. That $1,742,000 was all that was available. There should have been more money, and there were many ways it could be retained by supplemental or perhaps reprogramming, but this has not been accomplished.

Mr. BOLAND. The 1982 request of $4,260,000 reflects a significant growth, close to what General Camm indicated the estimate for 1981 would be. Is this a recurring cost? Can we expect to see a similar program level in future years?

Mr. MCCONNELL. Mr. Chairman, it depends upon what the future requirements are as placed on FEMA. It is an intensive effort now, for the next two years at least, in getting initial preparedness plans around all the nuclear power plants. There are additional plants under construction which will come on line two or three years from now. There is also a requirement to give continuing attention to those plans that exist and to have exercises that involve the participation of the local and State governments around every plant, every year.

I would say that it would be advisable for FEMA within two years to get out of the operating business in this regard and put it on some other agency or leave it to the States and the utilities to carry on a maintenance program with FEMA providing surveillance. I think that FEMA has done a great deal to get the program organized in the absence of an effective way to do it otherwise. The utilities are, in fact, picking up a great deal of cost and they are learning from each other about how best to do this in dealing with the States. I think most of the States are recognizing it as an inherent responsibility of the State and local governments to pro-

tect their people. So I think that yes, there could be a phasing down, at least of the active participation by FEMA.

Mr. BOLAND. Does the agency have plans for reprogramming requests in this activity?

Mr. MCCONNELL. There has been some discussion about that.

Mr. GALLAGHER. The paper is now at OMB. It has not come back, so we could not present it to the Committee.

Mr. BOLAND. Mrs. Boggs.

RULE FOR REVIEW AND APPROVAL OF REP PLANS

Mrs. BOGGS. My other subcommittee, Energy and Water Resources Development, has responsibility for the NRC. We have been in discussions with them on this subject as well, so I would like to talk a little bit about the rule that FEMA proposed for review and approval of Radiological Emergency Plans. That rule published on June 24, 1980 added a new part 350 to title 44, Code of Federal Regulations. The notice at that time stated:

> The purpose of the regulation * * * is to establish policy and procedures for review and approval by FEMA of State and local emergency plans and preparedness for the off-site effects of a radiological emergency which may occur at a nuclear power facility. Review and approval of these plans and preparedness involves preparation of findings and determinations with respect to the adequacy of the plans and capabilities of State and local governments effectively to implement the plans.

Comments were due on this proposed rule by August 25, 1980, with the stated intention "to make the regulation, which is primarily procedural, effective immediately upon its adoption."

What is the present status of the rule?

Mr. MCCONNELL. It was presented to OMB for review last week, and I will ask Mr. Jett of the General Counsel's office to give a more current update.

Mr. JETT. Mrs. Boggs, we issued that rule with the idea of getting as close in timing sequence with the NRC's rules that we were supporting as we could. Frankly our program was evolving at the same time we proposed that program, and we got many substantive and important comments on the rule.

As we were considering those comments and developing what we hoped to be a final rule, the new administration published a new rulemaking procedure for clearance of agency rulemaking. President Reagan has signed Executive Order 12291, which requires the OMB to review rules. We have submitted our rule to OMB for approval. I would hope we would have that rule in final form by the first of next month.

Mrs. BOGGS. Would you briefly describe the new rule?

Mr. JETT. The rule was designed to lay out the process by which FEMA would review the State and local plans that were submitted to it either by the State and local government or NRC. Our role is a supportive role. NRC has the licensing authority but a new rule they issued under statutory authority requires FEMA to have an important advisory input into their decisions on licensing and on deciding whether State and local public health and safety are adequately protected. Our rule was designed to lay out the process by which FEMA would receive the State and local plans, how we would review the plans, how we would determine and advise NRC on our findings, and most importantly how State and local govern-

ments could appeal and have plans considered at higher levels. Also the rule describes how we submit those plans to public hearing meetings so the public at large would have a chance to respond.

NRC–FEMA INTERAGENCY FUNCTIONING

Mrs. BOGGS. The interagency functioning between the NRC and FEMA regarding preparedness for coping with possible radiological emergencies at nuclear power facilities has been evolving over the past several years. Could you briefly describe this interagency functioning? What is the legal authority for this interagency activity?

Mr. JETT. The interagency operation and coordination has been a long-term role that has been going on under agencies that were our predecessor units. The Office of Emergency Preparedness in the White House, then the Federal Preparedness Agency in GSA had developed an interagency coordinating process and issued rules in the Federal Register. It identified many of the key Federal agencies that would have roles including: EPA, Department of Defense, NRC, and others. It assigned responsibilities and provided for a coordinative arrangement of the Federal government's involvement with the industry. That responsibility that the Federal Preparedness Agency had was transferred to FEMA on July 15, 1979 by executive order issued by President Carter. We have assumed that responsibility. President Carter reiterated that we take the lead in December 1979, and so we have assumed that responsibility. Mr. McConnell's office is basically managing that and we have issued an updated Federal Register publication of the interagency coordinative process and what the new roles of the participants are. That is in final form.

Mrs. BOGGS. As I understand it in this NRC–FEMA interagency functioning, NRC retains overall responsibility for making decisions under its enabling legislation in determining whether operating licenses should be issued or plant operations suspended. I am sure you are aware of the very great concern the Committee on Appropriations, through its Subcommittee on Energy and Water Development, has expressed recently about NRC's licensing schedule for operating licenses, and the severe economic and other consequences this is entailing for American consumers. Does FEMA's role in this interagency functioning lessen or add to the delay in license issuance at NRC?

Mr. MCCONNELL. I would like to answer that, Mrs. Boggs, if I may. It deals somewhat with the discussion we had with Mr. Traxler yesterday. Certainly since there were not adequate preparedness plans around nuclear power plants prior to Three Mile Island or prior to January 1980, any effort which goes into preparing such plans and if licenses cannot be issued until plans are adequate, there is only one way to answer your question, and that is it possibly could add time to the licensing process.

However, I hope that despite the pressures that seem to be building both on NRC and from NRC to FEMA and on State and local governments to expedite the process to be undertaken, we do not lose sight of the fact that the nuclear power industry came under severe investigation, and that there was great public concern with regard to the effects of the Three Mile Island incident. I also hope that we as a concerned body between those who really want

the energy from nuclear power and those who are trying to protect the public do not have opposite objectives.

So I would like not to be pressured to the point where we are doing a slipshod job of protecting the public from accidents.

Mrs. BOGGS. Are present resources at FEMA both in the Washington headquarters and in the regional offices sufficient for carrying out timely review and approval of proposed radiological response plans? If not, what can this Subcommittee do to insure that resources are sufficient?

Mr. MCCONNELL. They are not the amount of resources we would like to have, and we could certainly do the job more effectively, we could do more of the States' and local governments' work if we had more people and more money. However, I think with the appropriation that is requested in the fiscal year 1982 budget, we can do a reasonably effective job of keeping up with licensing requirements.

IMPACT OF HIRING FREEZE ON PLANS AND PREPAREDNESS WORK

Mrs. BOGGS. Is FEMA's "Population and Emergency Preparedness" division (which contains the Emergency Planning Office and Radiological Emergency Division) under the current hiring freeze? If so, is this freeze having adverse impacts on FEMA's emergency plans and preparedness work?

Mr. MCCONNELL. Yes, it is, but it so happens that all their spaces are filled with the exception of one secretary.

Mrs. BOGGS. In an effort to reduce delays in licensing of nuclear power plants, could FEMA for its part in the review process shift personnel from one regional office to another temporarily to assist where the needs are more pressing?

Mr. MCCONNELL. We have been doing that, Mrs. Boggs.

Mrs. BOGGS. One of the other responsibilities of The Energy and Water Development Subcommittee is the Tennessee Valley Authority; I know you have some arrangement with them as well, do you not?

Mr. MCCONNELL. Yes, in fact the Sequoyah plant was the first one to receive approval from FEMA.

Mrs. BOGGS. I know you have had some transfer of monies to be able to do studies where it was appropriate.

Mr. MCCONNELL. Not from TVA to the Federal government, but from TVA to the States.

Mrs. BOGGS. Thank you, Mr. Chairman.

Mr. BOLAND. Turn to page 147, the object class detail. The 1980 personnel compensation amount of $13,421,000 yields an average cost per work year of $30,433. The comparable amount in the 1981 budget estimate is $28,872. The comparable amount in the 1981 current estimate is $21,761, and for 1982 is $26,659.

What accounts for these significant variations?

You may supply your answer for the record.

[The information follows:]

VARIATIONS IN AVERAGE COSTS PER WORK YEAR

The variation of average work year costs between fiscal year 1980 and fiscal year 1981 results from the Agency's plans to hire new employees in the entrance level grades whenever possible.

The change between the fiscal year 1981 original and current estimate is attributed to President Reagan's reduction of some unfilled regional positions and the

transfer of all regional Management and Administration Personnel into the Hazard Mitigation and Disaster Assistance Appropriation.

With the transfer of lower-graded Management and Administration positions to HMDA, the average salary rate for the remaining professionals and support personnel increased in fiscal year 1982.

TRAINING AND EDUCATION

Mr. BOLAND. Turn to the Training and Education tab. The 1982 Reagan request is $14,211,000, an increase of $1,373,000 above 1981. Page 152 indicates that in 1982, in the Instructional Programs and Materials element, 36 developmental projects are planned.

What are the comparable numbers for 1980 and 1981?

Mr. MCLOUGHLIN. For 1980, it is approximately 20.

Mr. BOLAND. You may supply the specific number for the record.

[The information follows:]

The number of projects in fiscal year 1980 was seven. In fiscal year 1981, it is 18.

EMERGENCY MANAGEMENT INSTITUTE

Mr. BOLAND. The Emergency Management Institute is described on page 155. The Institute was scheduled to open in January 1981.

Did you meet this target date?

Mr. MCLOUGHLIN. Yes, we offered our first course on January 12 1981.

Mr. BOLAND. Is rehabilitation of the Institute complete?

Mr. MCLOUGHLIN. No, our major classrooms are still under renovation and will not be finished until about May 15, 1981.

Mr. BOLAND. What was the total cost of the renovation and rehabilitation?

Mr. MCLOUGHLIN. $120,000 in 1979, $2 million in 1980, and $750,000 in 1981. This is the Emergency Management Institute part, and does not count the Fire Academy part. Because of competitive bidding we are only committing $1,325,000 of the 1980 funds. The other $675,000 is being held and will be used for overruns, if necessary.

Mr. BOLAND. How many FEMA employees have been devoted to the staff college in Battle Creek, Michigan?

Mr. MCLOUGHLIN. Twenty-seven.

How many of these employees transferred to the Emergency Management Institute site at Emmitsburg, Maryland?

Mr. MCLOUGHLIN. We transferred 12.

Mr. BOLAND. How many FEMA employees are currently devoted to the Emergency Management Institute?

Mr. MCLOUGHLIN. There are 27 scheduled there. We have six vacancies, and one additional person is leaving next week.

Mr. BOLAND. Page 157 describes the 1982 activity in the Training Field Deployment Systems element. In 1982 FEMA will require States to share the cost of Emergency Management Training programs on a 75 percent Federal/25 percent State shared agreement.

Does this require legislation?

Mr. MCLOUGHLIN. No, it does not.

Mr. BOLAND. Will additional personnel be trained through this agreement?

Mr. McLoughlin. We are hopeful of that. The States' share in 1982, if indeed this amount of money applies, would be about $1.1 million or $1.2 million.

REP OPERATIONS COURSE

Mr. Boland. The next paragraph indicates that funds are included specifically for the radiological emergency response operations course conducted at the Nevada test site. Explain the specific purpose of this course.

How many people do you estimate will be instructed by this course?

What resources are required in 1982 for the course?

[The information follows:]

Radiological Emergency Response Operations Course

The Radiological Emergency Response Operations Course, conducted at the Nevada Test Site, was initiated in May of 1977 by the NRC. The responsibility for this course was transferred to FEMA along with other radiological emergency preparedness responsibilities in fiscal year 1981. FEMA has executed an Interagency Agreement with the Department of Energy to continue this course. DOE transfers the money to the Reynolds Engineering and Electrical Company, the prime contractor at the Nevada Test Site, and they acutally conduct the course.

The requirement for the course was initially generated by the Federal Interagency Central Coordinating Committee (now called Federal Radiological Preparedness Coordinating Committee), along with the requirement to train nine other categories of radiological preparedness personnel.

In fiscal year 1981, 16 courses are to be conducted. Enrollment is limited to 20 State and local participants with an assignment to a State radiological emergency response team, and five spaces are reserved for Federal agency members with REP responsibilities. The total annual enrollment is 400, which is also our target for fiscal year 1982. In general, the course consists of 3½ days of technical instruction and five days of practical application in seven different exercises. The course is offered at the Nevada Test Site because of its radiation control facilities and capabilities, and because of the uniqueness of the site in providing appropriate exercise areas. For example, the site hospital is used for training in emergency room radiological incidents. Contaminated vehicles are actually set on fire to simulate radiological transportation accidents. Monitoring around a nuclar reactor facility is also simulated as well as four other types of exercises.

The course costs are betweeen $26,000 and $28,000 each. Student travel costs vary from about $17,000 to $20,000. Both of these costs are expected to increase next fiscal year. The $700,000 figure in the budget was arrived at as follows:

16 courses times $29,000 per course equals	$464,000
16 courses times $20,000 travel per course times 75 percent Federal share equals	240,000
Total	704,000

TRAINING AND EDUCATION PROJECTS

Mr. Boland. Turn now to Training and Education Projects on page 158. The 1982 estimate is $1,139,000, an increase of $772,000. Page 159 indicates that the 1982 activity emphasis will be to continue courses and training in a number of areas and "develop training and education and programs and materials to support the National Earthquake Hazard Reduction Program."

Is the entire 1982 increase devoted to the Earthquake Hazard Reduction program?

Mr. McLoughlin. No, sir, it is not. It is $500,000 which is part of our $5 million earthquake package.

Mr. Boland. Mr. Green.

Mr. GREEN. No questions.

Mr. BOLAND. Mrs. Boggs, any questions?

Mrs. BOGGS. No, thank you, Mr. Chairman.

Mr. BOLAND. That completes State and Local Preparedness. This afternoon we will examine the Disaster Relief progam.

SURPLUS MATERIALS

Mrs. BOGGS. I do have one question if it comes under this heading.

I have had some concern expressed from the local and State people about not being able to have access to surplus materials that they say were very helpful to them in other years. Apparently there is pending legislation designed to correct that situation. Do you have any comment on that?

Mr. JETT. May I say quickly what that is, Mrs. Boggs?

Mrs. BOGGS. Yes.

Mr. JETT. The reorganization plan that put FEMA together made a commitment that we would put legislation before the Congress that would allow the donation of the property now on loan to State and local governments to them. That legislation was provided to the Congress last year. They did not act upon it. Unfortunately, it has been referred to two committees. But we have the plan before the Congress again this year. It was very quickly approved by the new Administration. We followed it up the last part of January. I believe it is before the Armed Services Committee and Government Operations Committees. We are looking toward hearings and providing them information on the legislation this year.

My impression is that the attitude of the committees is to move the legislation along more rapidly than was the case last year.

Mrs. BOGGS. So you are favorably pushing?

Mr. JETT. Yes, and we are optimistic that we will get the legislation through.

Mrs. BOGGS. Are you also talking about the possibility of continuing the program?

Mr. JETT. Legislation to continue the earlier loan program is not before the Congress by the Agency. There is a bill introduced before the Congress, I believe, by Mr. Brinkley to reinstitute the program, to allow us to stand in the same stead as the Civil Defense Agency used to stand when it was a component of the Department of Defense, which means it has a right to utilization of defense equipment before it is declared excess and surplus. That legislation is before the same committees I mentioned earlier. I do not know what the process for consideration of that is. We have been asked to provide comments on that legislation, and have written some comments, but they have to be cleared by OMB, GSA, and other agencies.

Mrs. BOGGS. Are they generally favorable comments?

Mr. JETT. Quite honestly we have expressed some concerns about the continuation of the program. It has been a difficult program for us to manage. It was a difficult program to manage in the Department of Defense. We did some study on it under Mr. Macy's direction last year. We found the program would still have some difficulties. Mr. Macy did speak with the sponsors of the legislation at a meeting where he talked about the possibility of identifying some

portions of the equipment and the inventory of items that might be continued, but I do not know how far that study has gone.

Mr. McConnell may have more information upon that. But at the time we submitted comments to the Hill last year on the legislation, we did not support the legislation.

Mrs. BOGGS. Apparently the local perception is when they were taken out of DOD and put into FEMA they lost a valuable resource.

Mr. JETT. Yes, I understand that.

Mrs. BOGGS. Thank you, Mr. Chairman.

75–25 PERCENT STATE-SHARED AGREEMENT ON TRAINING

Mr. BOLAND. We just talked about the 75 percent Federal/25 percent State shared agreement with Training Field Deployment Systems. Is there any cost-sharing like this in the Fire Administration?

Mr. JETT. We do have cost-sharing.

Mr. BOLAND. 75 percent/25 percent?

Mr. JETT. I believe it is 75-25 and they have worked out a sharing arrangement on that basis.

Mr. BOLAND. We will stand in recess until 2:00 o'clock this afternoon, at which time we will complete our review of the budget justifications.

AFTERNOON SESSION

NATIONAL FLOOD INSURANCE FUND

Mr. BOLAND. The Committee will come to order.

RATE INCREASES

Mr. BOLAND. We will turn to the National Flood Insurance Fund tab.

Under the National Flood Insurance Fund, FEMA is requesting an appropriation of $373,000,000 in 1982. This entire amount will be used to repay debts incurred under borrowing authority that FEMA has under the basic flood insurance legislation. The comparable request in 1981 was $603 million. Due to congressional action directly on the appropriation request and the effect of the two percent reduction, the 1981 current estimate is $561,085,000. The House Committee's Report last year urged the Federal Emergency Management Agency to increase premium income in an effort to reduce the level of the Federal subsidy and thus the additional borrowing authority and appropriations that would be required in the future years. At least partially in response to congressional intentions, the agency has added a $20 expense constant for each subsidized policy.

Why didn't the Agency actually increase the level of premiums on insurance policies? How much money will be collected in 1981 as a result of the change in the basic policy fee?

Mr. KRIMM. It is very difficult for me to answer, Mr. Chairman, why we did not do it. I can tell you, there are several things that were done to try to increase premium income this year. We made an increase in our actuarial rates of about 30 percent, increased

minimum premium from $25 to $50, and began a three year policy term, which will cut down on renewal expense. We have revised the agent's manual and are also working on a new computer system to facilitate processing. When I became Acting Administrator, one of the first things I did was to submit a request for increase in subsidized rates of about 45 percent. It is my understanding that this rate increase has been approved by the OMB. So effective October 1, 1981, the subsidized rates will increase from 25 cents per $100 for single-family dwelling to 40 cents per $100. The contents rates and commercial rates will also go up.

In addition, we are working on increasing the subsidized rates for new construction in communities in the emergency program. As we discussed yesterday, it is taking us almost three or four years to get communities converted into the regular program. I do not feel a program should subsidize new construction to the extent that it is; therefore, we are going to substantially raise the rates for new construction, thereby making new construction do more to carry its weight.

Mr. BOLAND. How much money will be collected in 1981 as a result of the change in the basic policy fee?

I notice page 251 states:

> Historically, for the period fiscal year 1974 to fiscal year 1979, the cost of administering the program was $24 per policy. For fiscal year 1980 through 1982 it is projected that the per policy cost of the administering costs the program can be reduced to $20 per policy.

Is that right?

Mr. KRIMM. Yes, because of increased efficiency in operation, and also the greater number of policies we are projecting. In answer to your previous question with respect to increased premium, it is about $35 million.

EXPENSE CONSTANT

Mr. BOLAND. Explain the $20 expense constant. What are you talking about there?

Mr. KRIMM. It is a fee that is put onto all policies which covers $14 for operating expenses; $4 is for the map information facility which went into effect last year; in addition we have put $2 in for a restudy program. This is for the restudy of the communities that because of changes in hydrology and so forth, will require FIA to do another flood insurance study.

We hope through this extra $2 on the policies the policy-holders will actually pay for the flood insurance studies rather than the taxpayers.

Mr. BOLAND. Again on page 251, the expense constant for actuarial coverage was increased from $15 to $20. Is that correct?

Mr. KRIMM. Yes.

Mr. BOLAND. Do you also add another $20 for an expense constant, for a total of $40?

Mr. KRIMM. No. The other expense constant is for the subsidized policies. Originally there was an expense constant for actuarial policies only.

Mr. BOLAND. How much will the increase be as a result of adding a $20 expense constant for each subsidized policy?

Mr. KRIMM. We could submit that.

Mr. BOLAND. Please supply it for the record.

[The information follows:]

The addition of a $20 expense constant on subsidized policies increases premium income by $19,035,000 in 1981 and by $28,080,000 in 1982.

Mr. BOLAND. How much money will be collected in 1981 as a result of the change in the basic policy fee?

[The information follows:]

The changes in the basic policy fee result in additional premium income during 1981 of $10,199,000 on actuarial policies and $24,542,000 on subsidized policies, or $34,741,000 on all policies.

OUTLAY REDUCTIONS

Mr. BOLAND. The Reagan Administration, in the March budget revisions, has reduced the borrowing authority for the National Flood Insurance Fund in 1982 from the $214,009,000 reflected in the Carter budget to $115,274,000.

What effect will this have on the program?

Mr. KRIMM. What they did was reduce the outlays by about $97 million. This will be made up by the increase in premium income from the additional charge for the subsidized rates.

Mr. BOLAND. Then, this will not have much effect on the program at all?

Mr. KRIMM. No.

REGULATIONS

Mr. BOLAND. The conference report on the 1981 HUD—Independent Agencies Appropriation bill addressed two sections of regulations issued by the Agency.

Bring the Committee up to date on actions the Agency has taken in response to the conference committee language and the actions of the legislative committees in this regard.

Mr. JETT. As a result of the Conference Committee Report, we suspended the application of the two paragraphs mentioned in the Conference Committee Report and went out for public comment again on those paragraphs in the Federal Register. We have received comments and the period of time for comments closed in mid-January. I believe we received 80 comments on the rule. We are now evaluating them. We have not reinstituted the rule. The conference committee report urged that we have the authorization committees look at this matter before we go final with the rule. We have not reinstituted the rule because we have not yet been before the authorizing committees.

Mr. BOLAND. So the regulation is not in place now?

Mr. JETT. The regulation is not in effect now, sir. That is those two subparagraphs mentioned in the conference report.

FUNDING FOR RESTUDIES

Mr. BOLAND. Turn to page 252 of the justifications. The legend below the tables states: "Commencing in FY 1983, restudies should be funded through the National Flood Insurance Fund."

Why are you recommending this change?

Mr. KRIMM. We believe that the policy-holders should pay for the restudies, since the taxpayer paid for the original studies. The $2 in the expense constant that we are charging will be for the restudy effort.

Mr. BOLAND. I think you responded to this question yesterday, but please refresh our memories: what level of restudy do you think will be required in fiscal year 1983?

Mr. KRIMM. We are actually not going to be able to start many unless there is additional budgeting allowed for it. It is going to take a few years to collect enough money through the $2 expense constant for the restudy effort, but in three or four years we should be in a self-operating mode as far as restudies are concerned.

NEW BUSINESS SYSTEM

Mr. BOLAND. The last sentence on page 252 indicates that a new computer system was installed to facilitate the efficient processing of flood insurance applications.

What was the cost of this system?

Mr. KRIMM. $2.5 million. It was handled through EDS, contractor for the Flood Insurance program.

OPERATING EXPENSES

Mr. BOLAND. Page 253 is the tabular summary of the financial transactions of the Fund. In 1980, actual operating expenses of $25,460,000 were $3,374,000, or 15 percent above the estimate.

To what is this attributed?

Mr. KRIMM. We did several things. We put in this new computer business system. We issued a new insurance agent's manual which cost over a million dollars. Those were really the major areas that caused the increase over the estimate.

Mr. BOLAND. Also, the 1981 estimated operating expenses of $27,984,000 are $2,928,000 or 11.7 percent above last year's 1981 estimate.

Why do we see this significant increase?

Mr. KRIMM. The cost of the contract with EDS has been increasing. One of the reasons is that because we are handling more policies, there has been an increase in the number of policies, and an increase as I mentioned earlier with the new manual that was put out and the new business system.

The operating expenses also include the map information facility which we got into about a year or so ago. It was a three year contract for $17 million; that also is included in that figure.

Mr. BOLAND. What about the 17 percent increase in 1982 over the revised 1981 estimate?

Mr. KRIMM. It is the increase in the number of policies that we are estimating. The cost per policy is about the same, but the increase in the number of policies would make the change.

CONTRACTOR COSTS

Mr. BOLAND. Page 254 details contractor costs. There has been some criticism of the rising costs of the contractor operations, although it is probable that the EDS contract is still cheaper than operating the program with the National Flood Insurance Association. The justification indicates that the totals for contractor costs do not correspond with total operating expenses due to loss adjustment expenses.

Mr. KRIMM. We are starting now to monitor the EDS contract very closely. We are starting a new system of tightening up on claims. We are becoming more involved with General Counsel's office in pursuing subrogation. And we are taking greater efforts to set up procedures for salvage operations. We think all of these things, and bringing back the insurance industry as kind of an overseer or adviser on how the EDS operation is run, we believe will have an effect of reducing these costs.

As I mentioned yesterday, I feel one of the things that happened as a result of our severance with the insurance industry in 1977 was the lack of expertise which the insurance industry had been able to offer.

I also would like to see that we require our insurance operations contractor to maintain the same kind of financial statements that insurance companies have to maintain.

Mr. BOLAND. When did EDS come into effect?

Mr. KRIMM. 1977.

Mr. BOLAND. What is EDS?

Mr. KRIMM. Electronic Data Services, a computer company out of Texas. The President is a man named Ross Perot, who I think is familiar to almost everybody. We went under part B of the National Flood Insurance Act. The Act was originally set up that it was a partnership between the insurance industry and the Federal government, which was part A. There were disagreements, and under the Act we notified Congress that the Federal government was taking over the operation of the flood program.

Mr. BOLAND. There was some question about how well the National Flood Insurers' Association was administering the program, which was responsible for EDS coming into the system. I believe it was rather controversial.

Anyway, are you satisfied with the present situation?

Mr. KRIMM. I think EDS is doing a good job. I think the insurance industry did a better job. I do not think the government should be trying to run an insurance company. I think you need the insurance expertise, and I believe the program served a better purpose when you had the insurance industry running the program.

Mr. BOLAND. You are not actually running the EDS company, are you?

Mr. KRIMM. Basically it is a contract, and the Federal government is running it.

Mr. BOLAND. But the employees are all EDS employees?

Mr. KRIMM. Right. And we monitor the operations.

Mr. BOLAND. Returning to contractor costs, the 1980 difference is $170,000, the 1981 difference is $2,132,000, and the 1982 difference is $3,481,000. Why are these amounts increasing so rapidly?

Mr. KRIMM. The EDS contract costs include expenses which are charged to loss adjustment. The operating costs include the Map Information Facility. The net effect of those creates the difference in operating costs and contractor costs.

The loss adjustment expenses are projected to decrease, while the Map Information Facility costs remain fairly constant. In 1982, all EDS expenses, including loss adjustments, will be charged to oper-

ating expenses. We have prepared a table to account for the differences, which we would like to insert for the record.

[The information follows:]

NATIONAL FLOOD INSURANCE FUND OPERATING EXPENSES—CONTRACT COSTS

	Fiscal year—		
	1980	1981	1982
EDSF contract costs	22,936	24,652	27,792
Plus: EDSF letter of credit expenses	2,354	1,200	1,500
Total EDSF contract costs	25,290	25,852	29,292
Less: EDSF costs charged to loss adjustment expense	−5,607	−3,221	0
Net EDSF expenses	19,683	22,631	29,292
MIF expenses	5,777	5,353	5,635
Total operating expenses—underwriting	25,460	27,984	34,927

Mr. BOLAND. What table are you looking at?

Mr. KRIMM. On 254.

MAP INFORMATION FACILITY COSTS

Mr. BOLAND. The justification also indicates that the Map Information Facility cost is not included under contractor costs. Where exactly on page 253 is the Map Information Facility expense represented?

Mr. KRIMM. It is included under operating expenses on page 253.

Mr. BOLAND. In connection with the Map Information Facility, I understand that in February a partial suspension of the contracts with Chicago Aerial Survey was ordered by the Flood Insurance Administration. Is it correct that the Map Information Facility has required $8 million to develop the data base?

Mr. KRIMM. Yes, it is just about $8 million right now. I did that because there were some problems with the contract. The Map Information Facility was set up in order to relieve what was perceived to be a very burdensome and troublesome map distribution system, which was the distribution of paper maps.

In December, the Administrator at the request of the lending agencies, the banks and savings and loans, determined that we would have to continue the paper map distribution system. The paper maps are probably one of the best means of flood plain management that can be put out into a community because they are something visual people can look at.

In addition I found the costs were going to be much greater than originally anticipated. Originally we had expected to put 12,000 communities on the Map Information Facility, for roughly $17 million. Now we will only be able to put on 12,000 communities and it will cost close to $40 million.

There is only what is called a 30 percent hit rate on the telephone calls that come in, which means 70 percent of the calls have to be looked up, and people have to call back.

These are some of the reasons why we did it. We are reviewing the whole map information facility concept at this time.

Mr. BOLAND. Did you perform a cost-benefit analysis before you made the decision to shut down the facility?

Mr. KRIMM. We decided not to put on additional States at this time. The facility is still operating. People are still calling in.

Mr. BOLAND. Do you intend to shut it down?

Mr. KRIMM. The decision has not been made yet. We are still doing research on it.

Mr. BOLAND. If the facility is closed, will the FIA rely totally on flood maps as it has in the past for flood zone determinations?

Mr. KRIMM. The reason I cannot answer that question is that we are working with the operations support area and other parts of FEMA to see what can be retrieved if it was shut down and what would be the best system. My own personal opinion is the paper map distribution system is the best system because it puts the responsibility on the lenders to make a determination. When we drafted the 1973 Act it was stated that the lenders make the determination.

Mr. BOLAND. How much do you estimate it will cost to close out the contract with Chicago Aerial Survey if that is the final decision?

Mr. KRIMM. It will cost about $1.0 million.

Mr. BOLAND. Mr. Green.

Mr. GREEN. No questions.

Mr. BOLAND. Mr. Coughlin.

EDS COSTS

Mr. COUGHLIN. On the EDS contract situation, will you provide for the record what the actual costs were with respect to the actual contract?

Mr. KRIMM. Yes, the contract cost this year is about $25 million. A little earlier I was talking about the fact that we are tightening up on the monitoring and looking at some of these things very carefully, but I feel it important that we bring the insurance industry back into the program in that area. I have talked to the American Insurance Association. They seem more receptive to coming back in an advisory capacity to review our actuarial rating, our operating procedures, and so forth. I have also been working with the Mutual Alliance and National Association of Independent Insurers.

Mr. COUGHLIN. Do you intend to modify it?

Mr. KRIMM. Well, not this year, because of the time restraints. Next year it is my hope we could go out for both part A and part B, which is the total Federal program as it is now.

My own opinion is that the Federal government should not be running an insurance company.

Mr. COUGHLIN. That has been our opinion, too.

Mr. KRIMM. I do believe we look at something like a reinsurance arrangement where the independent industry could write the policies in those communities that have adopted the proper flood plain management.

Mr. COUGHLIN. Do you think the Members of Congress were misled last year when they got the glowing reports on how well it would work?

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Mr. KRIMM. I think EDS has done a good job in taking over, but I have a different philosophical feeling about it. I think the program as it was designed was to be a partnership, with the eventuality of the insurance industry taking over all the risks.

SUBSIDIZED INCREASES

Mr. COUGHLIN. We discussed last year the possibility of increasing the premiums on your policies. They were not increased.

Mr. KRIMM. The premiums were not increased. We did increase the expense constant and a few other things. But when I became Acting Administrator on January 28, one of the first things I did was send over rate increases to the Office of General Counsel. They have been sent to OMB and have been approved.

Mr. COUGHLIN. That has been recommended?

Mr. KRIMM. And approved by OMB. In addition, we are developing an increase of the subsidized rates for new construction for communities in the emergency program. We are also looking at the actuarial rates for further increases in that area.

Mr. COUGHLIN. Would the 45-percent increase—how would they then fare on a comparable basis with other casualty insurances? It is a little hard to evaluate.

Mr. KRIMM. It is very hard to evaluate, because this is a single line insurance and most other is multiple. It still should be fairly comparable. Depending on where you live, your fire insurance policy and what you have in your homeowners insurance policy can vary several hundred dollars. I will be very glad to do that for the record, if you like. I will check with some insurance companies and find out what the comparison would be.

FLOOD CLAIMS

Mr. BOLAND. Let me ask a few additional questions about the Federal Flood Insurance Fund.

The Committee has recently learned of an interesting claim against the Flood Insurance Fund that resulted in litigation. The case involved the Stevie Motel, Inc. and was tried in the U.S. District Court in Eastern Louisiana. Briefly, the situation is that Stevie Motel had flood insurance covering two buildings and their contents. Flooding destroyed the motel's four buildings, including the two specifically covered by insurance.

The FIA offered to pay for the two insured buildings. Stevie Motel refused and filed suit, hoping to receive payment for all four damaged buildings and contents. The case was decided against the Government in District Court. As I understand it, FEMA wanted the government to appeal the case, but the Solicitor General recently decided against appealing.

In your opinion, did the judge properly interpret the law and the applicable regulations?

Mr. JETT. We did not win the case, so we believe that he did not. In our judgment, the policy and regulations were clear that the hotel owner when he bought the two insurance policies, bought policies on only two structures. He had two policies and four structures. I think the difficulty was that the agents who wrote the policy were not as well aware of those distinctions as they should

have been. Again, this was two or three years ago. The case was just tried recently, but the claim was several years ago and has been in litigation for a year and a half or two years.

I think the language in the regulations is clear, that a single insurance policy just covers one structure. I think the court just found notwithstanding the policy language and insurance regulation, apparently the owner did not realize that he had gotten coverage only on two of the four buildings.

Mr. BOLAND. Did the policy only cover the two buildings instead of four?

Mr. JETT. No, it did not. It did not state that. It stated an address. But the insurance agent, he thought he was covering and stated he thought he was covering all four buildings when he wrote the two policies, but we do have——

Mr. BOLAND. Were there actually four buildings on the premises?

Mr. JETT. Yes, there were.

Mr. BOLAND. You have indicated the judge's decision was based on the belief the regulations had been improperly promulgated.

Mr. JETT. There was a question on this, but it was not the determinative issue.

Mr. BOLAND. Have you clarified the regulations so the judge will not do this again?

Mr. JETT. Yes, sir, I think we have a better statement on the face of the policy. There is another issue involved here. That is, what the agent thought was the case when he wrote the policy for the hotel owner. Since that time we have had cases in most all the Federal circuits which have held the agent writing the policy is the agent for the insured, so if he makes an error interpreting our regulations, that is between him and the owner. He is the agent for the insured party, the hotel owner. Therefore, if he makes an error, it is between him and the hotel owner. So his misrepresentation of what the insurance policy covers would not be binding on the Federal Government.

We have better legal precedent for that.

SUBROGATION

Mr. BOLAND. As the size and cost of the Flood Insurance Fund has grown, increased attention has been paid to its operation. External groups such as the General Accounting Office have been examining the Fund. Within FEMA, both the Office of Inspector General and the Office of General Counsel have made recommendations to improve the Fund's operations.

One issue receiving increased scrutiny is that of subrogation. Basically, subrogation involves the substitution of one party for another as creditor. In a subrogation case involving flood insurance, for example, a developer or surveyor may be liable for payment of claims for fraudulent or inaccurate work. Would that include the agent, too?

Mr. JETT. It could.

Mr. BOLAND. What was the yearly average of subrogation cases referred to the General Counsel's office during the time the National Flood Insurance Association operated the program?

Mr. JETT. We will supply that for the record. It was not as large because we did not have nearly as many claims in effect or number of claims being processed.

[The information follows:]

YEARLY AVERAGE OF SUBROGATION CASES—NATIONAL FLOOD INSURANCE ASSOCIATION OPERATION OF PROGRAM

The records of the Association given to FIA did not break out subrogation actions specifically from the NFIA's overall efforts to recover insurance fund payments not properly made. Thus, we have no specific records of NFIA subrogation activities.

Since 1978, General Counsel recently reported to GAO the recovery of some $201,000 in seven subrogation actions initiated by FEMA. A breakout of the claims follows:

Name	Policy number	Amount
Falkenberg	FI 516104	$5,599.84
Porter	FI 038845	316.14
Edwards of Laurens	FI 04422697	93,380.00
Helen Burns	FI 52313731	695.85
Shamrock	FI 93814679	12,807.10
Pittsburgh (water main break)	FI 71870778	70,000.00
(Representative policy holder): *NFIA v. Coachella Valley Water District*	099-572-04	18,655.26

Mr. BOLAND. Do you draw any conclusions from this experience? Is EDS pursuing subrogation issues sufficiently? Did FIA ever encourage EDS not to pursue subrogation too vigorously?

Mr. KRIMM. To answer the first question, we are now making sure that EDS pursues subrogation, and we are working very closely with the General Counsel's office on this. To give you an idea of how much money is involved, since July of 1980, on four separate recoveries we were able to get back $180,500, which is a lot of money.

I am certainly not aware and I would be very surprised if there was any action by the previous administration to discourage subrogation by EDS.

Mr. BOLAND. Mrs. Boggs.

ACTUARIAL RATES

Mrs. BOGGS. I was thinking about the actuarial rates and the fact that you are increasing them. Certainly you have to do that for the viability of the program. I also remember, however, that in connection with the establishment of acturial rates, we did at one time have written in the law a provision for review and raising or lowering of rates as appropriate after programs to better protect certain areas were put into place. Is that still in effect?

Mr. KRIMM. It is still in effect. It is called the Brooks amendment because Congressman Brooks introduced it primarily for Port Arthur. This amendment says where there is a Federal system that has been developed for building levees or dams, where it has been 100 percent authorized, 60 percent appropriated, and 50 percent completed, that the Federal Insurance Administration in determining actuarial rates for new construction in these areas will determine the rates as if the structure was already completed.

Obviously if there is flood protection there, the rates would be lower than if there was no protection.

Mrs. BOGGS. Now that you are reviewing the actuarial rates by reviewing the flood-prone tendencies of certain areas, does that seem to be the proper thing to do, if indeed previous surveys had placed certain portions of the community in certain zones that were relatively flood-free. Does the same feeling hold true, that if we are to re-examine actuarial rates because of new protections that we should also review actuarial rates because of new circumstances that have been pointed out by the actual flooding difficulties in zones that seemed to be flood-free previously?

Mr. KRIMM. Yes. That is why we have the C-zone rates and so forth, because of the experience that occurred.

When they do calculate the actuarial rates, the rates are based on the severity and degree of flooding in a particular area. When we publish a Flood Insurance Rate Map we actually assign numbers to certain zones. The lower the number, the greater the hazard.

This information is originally developed for us by the Corps of Engineers. They have depth damage curves which show what the damage will be to a particular structure based on the level of flooding that would occur once every hundred years. We do look at all these things. Of course the key thing for someone to get a low actuarial rate is to build properly.

Mrs. BOGGS. I understand that. But in areas already covered by flood insurance where the actuarial rates are going up, now, I assume the determination was made——

Mr. KRIMM. It was based on statistical data that we received.

Mrs. BOGGS. That the areas previously considered flood-free are flood-prone?

Mr. KRIMM. Yes, and we are going back and restudying those areas.

Mrs. BOGGS. If those areas considered to be flood-prone were to adopt some new kind of protection, would there be an opportunity for the actuarial rates to go down again?

Mr. KRIMM. Yes.

Mrs. BOGGS. Mr. Chairman, I understand that when I was testifying at another Subcommittee, Mr. Jett assured us, in answer to your question about the regulations that we asked be held up that a hold had indeed been put on them, and that they have not yet been promulgated. I wish to thank you very much for that.

Mr. BOLAND. Look at the table on page 185. Let me ask you a question that has been bothering the staff and the members of this Committee.

You indicated yesterday, as I recall, that new studies were more important than restudies, yet you carry no funding in the 1982 bill for new studies. If they are important, why haven't you requested any money for them?

Mr. KRIMM. The amount of money that we have that has been requested for fiscal year 1982 for studies is going to have to be used for adding wave heights onto some of our existing coastal studies as required by FEMA regulations that were promulgated or published on September 9,1980.

In addition, we have one or two coastal areas that do have to be restudied because of major changes.

Mr. BOLAND. Aren't not the new studies important at all?

Mr. KRIMM. They are absolutely critical.

Mr. BOLAND. Then why don't you ask for money for them? Yesterday you said there would be a necessity for 6,000 new studies, at a cost of $79,000 per study, creating a total cost of $474 million. Is that correct?

Mr. KRIMM. The previous Director of FEMA reduced the study budget. That is all I can tell you.

Mrs. BOGGS. As I understand it, over 8,000 have been done. About 5,000 or 6,000 fall into that small-communities situation, and we need 6,000 more. It is critical to the operation of the program.

Mr. KRIMM. Very much so.

Mr. BOLAND. Thank you very much.

FUNDS APPROPRIATED TO THE PRESIDENT—DISASTER RELIEF

Mr. BOLAND. We will turn to Funds Appropriated to the President—Disaster Relief.

The revised 1982 request for disaster relief is $369 million. This represents a $31 million reduction from the Carter request of $400 million. In addition, the Administration is proposing a rescission of $8 million in funds already appropriated in 1981.

What are the legislative proposals that underlie the 1981 proposed rescission and the 1982 revised request?

75/25 COST SHARING

Mr. CASEY. Mr. Chairman, there are two legislative proposals that are the basis for projected savings: the first provides for public assistance on a 75/25 cost sharing basis; the second proposal eliminates the free rent provision in the temporary housing program. The Act currently directs us to provide free rent up to a year. For example, if a person whose home was destroyed happened to rent for $400 a month, we find them another home for $400 or so a month and we would have to pay that rent for up to a year. We do not think that is fair. That would result in further savings to the program.

Mr. BOLAND. Where are the proposals?

Mr. CASEY. They are on the way.

Mr. BOLAND. What are total obligations to date for the Disaster Relief program in 1981?

Mr. CASEY. $150 million.

Mr. BOLAND. Are you reasonably confident that you will be able to operate for the balance of the year without supplemental funding?

Mr. CASEY. I am estimating $20,200,000 carryover.

Mr. BOLAND. The Committee's 1981 Report recommended that the Administration seek clarification through the legislative process of the possible uses of the President's disaster fund. This recommendation was made in response to the use of the Disaster Relief Fund in connection with the Love Canal in New York, and processing the entrance of Cuban refugees in Florida.

What action has the Agency taken in response to the concerns expressed in the 1981 report?

Mr. CASEY. We have not taken any specific action. The Senate has requested us to submit some language to change those types of incidents that would qualify for disaster assistance.

From a personal point of view, and I so advised the Senate, I was opposed to it, because I think it would tie our hands. I recognize that perhaps we can be criticized for going into the Cuban influx situation. As I tried to explain, Mr. Chairman, I was down there and I have personal knowledge of the situation, and the situation in Key West and Miami was no different than what I faced in hurricanes, floods, or what have you. The suffering was there. I guess it is a cause-and-effect-type situation. Regardless of the cause, the people were suffering. I do not mean the Cubans, I mean the U.S. citizens in Key West and southern Florida.

The example I brought up was that, at one point the whole community in Key West could not flush their toilets for two days because of the overload placed on the system.

STATE DISASTER PREPAREDNESS PROGRAM

Mr. BOLAND. Turn to page 237, which describes the State Disaster Preparedness Grants program. Under this program, FEMA makes grants to develop plans, programs, and capabilities for disaster preparedness and prevention. In addition, States may apply for annual grants of up to $25,000 to improve, maintain, and update plans. The General Accounting Office in the report entitled, "States Can Be Better Prepared to Respond to Disasters" has examined the status of State plans and capabilities. The GAO concluded that States need better standard operating procedures which detail the provisions of State emergency plans that have been prepared with FEMA assistance.

How do you respond to the conclusion of the GAO report?

Mr. CASEY. Mr. Chairman, unfortunately the FEMA organization that covers that now, Plans and Preparedness, is not here. We shall provide something for the record. But as I understand it, following the GAO report, we have gone to each Governor on the matter of preparedness planning and we are taking more affirmative action to have checklists developed.

[The information follows:]

STATE DISASTER PREPAREDNESS

FEMA supported the conclusions of the GAO report in a May 1980 letter to each State governor and gave instructions to our Regional Offices placing emphasis and priority on the report's findings. The letter to each governor included the following:

"The Federal Emergency Management Agency (FEMA) agrees with the importance of the GAO conclusions regarding adequate disaster preparedness. Not all States were able to address these matters, along with developing a disaster plan, through the $250,000-maximum "development" grant (under the Disaster Relief Act of 1974. P. L. 93-288) from our predecessor Federal Disaster Assistance Administration. Many have since done so with the help of the annual $25,000 matching "improvement" grants under that Act. FEMA has stressed the use of the grants for those purposes. Nevertheless, we agree with the report that the success of State and local disaster operations is largely dependent on definitive, coordinated plans, procedures, and training.

Therefore, as the report recommends, we request that you take appropriate measures to ensure (1) that all of your State agencies with disaster operations responsibilities have sufficient standard operating procedures for carrying out those roles; (2) that State and local government personnel with disaster mitigation, relief, and recovery duties are adequately informed and trained; and (3) that local plans for disasters are up-to-date and in compliance with State plans. We believe that

FEMA's disaster preparedness grants, training programs, and technical assistance can help in this regard. FEMA is most willing to offer whatever help we can to assist States in making improvements in those areas noted."

Mr. BOLAND. The report states that under disaster assistance regulations, a State is required to develop standard operating procedures and have them approved by the Emergency Management Agency prior to becoming eligible for participation in the Individual and Family Grant program. Therefore, GAO maintains that States have a definite incentive to develop the standard operating plans in this area, and it recommends that they be required for eligibility in other disaster relief programs. Do you agree?

What efforts has FEMA made to upgrade the State implementation plans and the standard operating procedures in response to the General Accounting Office report?

[The information follows:]

DISASTER ASSISTANCE REGULATIONS

FEMA agrees with the GAO recommendation that the Federal Government should provide greater incentives to States in developing Standard Operating Procedures for disaster relief programs. In areas where FEMA is directly responsible, such as the Temporary Housing Program, regulations are being revised to provide this incentive. Such regulations already exist for the Individual and Family Grant Programs. In areas for which other agencies have the lead responsibility such as the Crisis Counseling Program delegated by FEMA to the National Institute of Mental Health, FEMA is providing guidance and coordination to promote development of such incentives.

FEMA has taken a number of steps in the past year to promote the upgrading of State implementation plans and standard operating procedures. Among these are the following:

Program guidance issued to FEMA Regional Directors for fiscal year 1981 gave high priority to implementing the GAO recommendations.

FEMA is now testing new guidance materials (a Standard Plan Format) for State and local planners. These are designed to promote comprehensive emergency planning, including standard operating procedures.

FEMA is now revising its Standards for Civil Emergency Preparedness which provide specific goals for State and local planners. These Standards give detailed guidance on the individual systems, facilities, plans, and procedures needed by fully prepared communities and States.

In early 1979, FEMA's predecessor, the Federal Disaster Assistance Administration, and the National Institute of Mental Health agreed to focus on building relationships with the State mental health authorities, who would probably survey mental health needs, and documenting the requirement as beyond State capability, before the State applies for crisis counseling. Regional Directors were instructed to encourage the State emergency planners, when assisting in the update of State emergency plans and agency procedures, to include mental health planning as a possible work element. FEMA, with the concurrance of NIMH, sent a letter urging each governor to include mental health planning in the State Emergency Plan and suggesting several sources of planning and technical assistance. Finally FEMA and NIMH have recently conducted five Regional conferences with State agencies involved in implementing the crisis counseling program.

Temporary housing is an area in which FEMA is currently least explicit in direction to States that agree to administer a Federal program. Adoption of new regulations will considerably improve guidance to States. The regulations will incorporate a requirement that each State implement the program according to a temporary housing plan approved by the FEMA Regional Director. The State would follow both regulations and its own plan. Technical assistance in development of the plan would be provided by the Regional Director. A beneift to be derived from the temporary housing plan approval process is that FEMA would be assured that State plans are implemented equitably and consistently across the country. A benefit for States would be clear statements of policy, procedures, and reimbursable items. A techical assistance guide is currently under development which will provide policy and operational guidance in State implementation of a temporary housing program.

In February 1981, FEMA Regional offices reported that significant progress is being made by some State and local governments in developing Standard Operating

Procedures. However, because of the many jurisdictions and programs involved, and because of variations in State support for such efforts, progress is slow in many States.

Mr. BOLAND. I have another question about the GAO report that the P&P staff may answer for the record.

[The question and answer follow:]

TRAINING OF STATE AND LOCAL PERSONNEL

Question. The report also concludes that FEMA has provided only limited guidance on the training of State and local personnel. Quoting from page 46 of the report, ". . . FEMA is currently in the process of evaluating the overall training requirements in the area of emergency preparedness. This process will integrate all training requirements and programs of the agencies that were reorganized into FEMA, including FDAA and DCPA. FEMA will be deciding how best to use existing resources in the training area."

Cite specific actions that have been taken this year to improve training of State and local emergency response personnel.

Answer. FEMA has: included State disaster response staffs among the requirements listed in the Statement of Training and Education Requirements; requested all Regions to give special emphasis to State disaster response training during the fiscal year; permitted States to conduct State and local training to improve emergency response to disasters through State Cooperative Agreements; and prepared a Plan of Instruction to provide FEMA guidance to the Regions and States on the conduct of emergency response training.

CONTROLS OVER FEDERAL AID

Mr. BOLAND. The General Accounting Office in a recently released report has also concluded that poor controls over Federal aid in Massachusetts after the 1978 blizzard caused questionable benefit payments. As the report notes on page six, "The Disaster Relief Act also provides for the imposition of both criminal and civil sanctions in cases where improprieties are found."

Has FEMA ever sued an individual who it believed fraudulently or willfully misstated facts in connection with a disaster assistance request?

Mr. CASEY. No, we have not.

Mr. BOLAND. Did any individuals fraudulently or willfully misstate facts in connection with their applications for disaster assistance?

Mr. CASEY. In the Massachusetts case, I am not sure. We begin our review on Monday. The review will cover the Individual and Family Grant Program, the minimal repair program, as well as the SBA disaster loan activity. We will be looking for duplication of benefits and improper payments in order to determine whether there has been fraud.

I will say that, in my experience in other disasters, I know there has been fraud, and I know people have served time in jail because they have been convicted of fraud.

Mr. BOLAND. The report has been out since January 26—I presume you have read the report?

Mr. CASEY. Yes, we have until the 26th of this month to respond, which we intend on doing, and we agree with the recommendations GAO has made.

Mr. BOLAND. The GAO report concluded that 26 percent of the cases sampled involved duplicative payments or questionable grants. The GAO states "We believe our review indicates a need to

strengthen procedures and to follow up on recipients' use of benefits proceeds."

Mr. CASEY. We have initiated a system to avoid duplication.

Mr. BOLAND. I would think that duplicate reports can be a rather constant problem when you get into disaster relief.

Page 16 of the report states:

> FEMA's measures to prevent duplicative payments were inadequate. We had reported this problem to agency officials on three other occasions in 1973, 1976, and 1978. We noted that the basis for some grants was questionable because the demonstration of a serious need or necessary expense was disputable or because recipient eligibility was doubtful.

The GAO is saying that FEMA has not done much in the past eight years to prevent duplicative payments. Can you cite specific examples to the contrary?

Mr. CASEY. Yes. For instance in the tornado that hit Wichita Falls last year we initiated procedures to eliminate duplication of benefits in temporary housing and insurance (alternate living expense) payments.

[CLERK'S NOTE.—Subsequent to the hearing, the Agency supplemented its answer with the following information:]

> We also have field tested and are refining a Combined Application and Verification Process (CAVP). This is designed, in part, to avoid duplication of benefits in the programs covered: Individual and Family Grants, Temporary Housing and SBA loans.

Mr. BOLAND. I have been looking at requests in the President's Disaster Relief Fund for a few years and also the requests of various areas that have suffered from a natural disaster. I don't know of any case where the actual damage suffered has ever come close to the total amount which local people or Government officials say the area has suffered. Mount St. Helens, I don't know. I am sure the local officials throw in the kitchen sink and all.

Mr. CASEY. In the Mount St. Helens case, it was a unique situation. I will quite frankly admit up front, the Federal government, in going out to verify damage and cost estimates, was telling us State figures were way off.

Mr. BOLAND. Page 19 of the report lists three areas that should be addressed to make better use of the individual and family grant program. The GAO maintains that a recipient's financial status is not always adequately verified to determine if loans should be given instead of grants. The GAO also concludes that the availability of public transportation was not considered before awarding grants to replace vehicles claimed as a disaster loss, and that grants awarded in some cases exceeded the value of vehicles claimed as lost.

ELIGIBILITY FOR SBA LOAN

Mr. CASEY. We have been working with SBA on this. They have come up with a special short form application which will verify whether loan applicants are eligible or not for an SBA loan. It is a special procedure we just implemented within the past several months.

Insofar as the transportation is concerned, it is my understanding we have revised our criteria.

Revised procedures require proper documentation of the determination that public transportation is inadequate before a grant for public transportation is awarded.

A person receiving an automobile for instance which exceeds what they had before, hopefully will not be the case.

The point there, though, is, do they have a transportation need? Is it a serious need as well as a necessary expense? In some cases it is very difficult for a person to obtain a vehicle that may be less expensive.

Mr. BOLAND. I suppose you must judge whether or not there is an adequate transportation system.

Mr. CASEY. Also, Mr. Chairman, that has to be in writing.

Mr. BOLAND. Pages 22 and 23 of the report contain recommendations for the Director of the Federal Emergency Management Agency. Specifically, the GAO recommends that FEMA:

Issue instructions requiring that, before authorizing grants to purchase replacement vehicles, a determination be made concerning the adequacy of public transportation.

Stop awarding grants for transportation when a disaster victim has already obtained a disaster loan for the same loss.

Generally base grants to purchase replacement vehicles on the average market value of the vehicle claimed as a loss or on a flat amount, whichever is lower.

How are you currently determining the amount of grants to purchase replacement vehicles—flat amount?

Mr. DOKKEN. Sometimes they cannot just replace the automobile that is lost. It will require both the loan they would be able to get from the SBA, which is based on the ability to repay, plus the IFG grant to make up the cost of the replacement vehicle.

Mr. BOLAND. Page 238 of the justifications indicates that $475,000 in 1980 was used for Earthquake Loss Studies/Contingency Planning.

Exactly how were these funds used?

Mr. CASEY. Those funds were used for some special studies we have going in the State of California regarding the possibility of earthquakes there. Again more detailed information I have to supply for the record.

[The information follows:]

Earthquake Loss Studies/Contingency Planning

Initiate earthquake preparedness program in Southern California	$300,000
Complete earthquake loss study in Anchorage Alaska and initiate an earthquake contingency plan effort	50,000
Initiate earthquake loss study in Boston area	100,000
Initiation of an earthquake study plan for loss study and contingency plan for Mississippi Valley (includes portions of seven States)	25,000
Total	475,000

MISUSE OF AGENCY FUNDS

Mr. BOLAND. $80 million was provided in 1980 supplemental funding for the Mount St. Helens disaster. This amount represented a relatively small percentage of the total Federal response to the Mount St. Helens disaster.

Does FEMA have any evidence that either the $80 million or other agencies' assistance was misused in response to this calamity?

Mr. CASEY. I have no information as to whether other agency funds were misused. From my view we have obligated approximately $30 million for eligible work under the law.

LOVE CANAL

Mr. BOLAND. Page 241 briefly addresses the disaster at the Love Canal in New York. FEMA entered into an agreement with the State of New York to provide $15 million to assist in the permanent relocation of residents of the Love Canal area. What is the status of that agreement?

Mr. CASEY. The State of New York is continuing to purchase property. We have obligated, out of the funds made available, $7.5 million.

Mr. BOLAND. How many residents have received assistance from the State or Federal government and how many have moved?

Mr. CASEY. Approximately 350 have received assistance.

Mr. BOLAND. Do you need all of the $15 million?

Mr. CASEY. Yes.

Mr. BOLAND. Page 242 describes the activities of volunteer agencies in disaster responses. Although the Disaster Relief Act authorizes FEMA to reimburse volunteer agencies for assistance provided, FEMA as a practice does not; is that correct?

Mr. CASEY. That is correct. In the Cuban influx situation, however, we did enter into a contract with the American National Red Cross; because of their expertise in feeding, we called on them to help us. That was a situation where they were prevented by their charter from helping Cubans directly.

Mr. GREEN. Just for my information, under what part of FEMA would this fall?

Mr. CASEY. It is a part of the component that I am a member of. Disaster response would cover it.

Mr. GREEN. So you are not controlling——

STATES ASSUMING MORE RESPONSIBILITY

Mr. CASEY. Exactly. What we have been doing since we came out of HUD is to ask the States to take more of the temporary housing responsibility and run the programs.

Mr. GREEN. Do you find this working as satisfactorily as previous arrangements?

Mr. CASEY. In some States it is working very satisfactorily—better than what the Federal government did.

Mr. GREEN. What you are saying, in other States it does not work as well.

Mr. CASEY. That is correct. It depends on the sophistication of the States.

Mr. GREEN. What do you propose to do when you run into those kinds of situations?

Mr. CASEY. Again, by working with them to try to improve their ability to carry out this program.

Mr. GREEN. When there are problems State constitutional limitations make it difficult.

Mr. CASEY. In some cases. The biggest problem we have in that regard is the Individual and Family Grant program. There are still

three States that by their constitutions are prohibited from participating in that program. But we are working with them to have their constitutions changed.

Mr. GREEN. Thank you, Mr. Chairman.

Mr. BOLAND. Mrs. Boggs.

Mrs. BOGGS. I have been asked to submit some questions for the record about Holy Cross Hospital.

[The questions and answers follow:]

Question. Where a state licensing code requires adequate space for a hospital service, does FEMA have any basis for not accepting what the State Department of Health says is needed for adequate space?

Answer. The whole emphasis of Public Law 91-606, as amended by Public Law 92-209, is on restoration of facilities. In no instance does the amended Act provide for replacement of services rather than facilities for hospitals.

HCH claims that the State of California required that additional space be provided to meet State codes requiring that "adequate" space be provided. However, statements by HCH in its appeal confirm that the nature and volume of services provided by HCH had significantly increased between the time the facility opened and the time of the disaster. In fact, HCH acknowledges that space provided for a number of services had become inadequate prior to the disaster. Further, in its submission of a program to the State, HCH stated that it had developed a scope of services and a spatial allocation to be "responsive to both current and future health care needs." It is quite clear that HCH had their new facility designed to handle a significantly larger program than the original facility had capacity for. Based on our review, it appears that a major reason the space provided in the original facility was not "adequate" following the disaster was that HCH quite understandably wanted to provide an enlarged facility to support an increased program. This is further substantiated by the Hill-Burton grant provided by DHEW to HCH for modernization and expansion of this hospital after the earthquake. The legislative history of Public Law 91-606, as amended by Public Law 92-209, clearly indicates that FEMA should not pay for the cost of increasing the overall capacity of a facility.

Question. Has FEMA based Holy Cross reimbursement on a determination of the space needed in a replacement facility to provide hospital services? If so, what services?

Answer. Reimbursement was provided for the space required to replace the predisaster capacity of the HCH facility.

The legislative history of Public Law 91-606, as amended, reveals an intent to provide the same capacity as the old, disaster-damaged facility, if it were built post-disaster, according to up-to-date standards.

Although an applicant may build a larger or more elaborate facility, the Federal contribution is limited to the cost of restoring the predisaster capacity of the old facility to updated standards, and the applicant is responsible for all additional costs. The legislative history of Public Law 91-606 refers to a school originally designed to accommodate 400 pupils and states that the Federal contribution toward restoration of such a school would be limited to the cost of a 400-pupil school even though a 600-pupil school would be required to meet current needs. Thus, it is apparent that predisaster capacity is related to the predisaster design of the facility, not to the volume and nature (program) of services which may have been provided at the time of the disaster.

Question. The Act requires reimbursement to be based on the cost of building a new facility in conformity with the "applicable codes, specifications, and standards." What in the statute limits the "applicable codes, specifications, and standards" to structural ones?

Answer. Public Law 91-606, as amended by Public Law 92-209, authorizes Federal grants for the restoration of disaster-damaged structures, not for the replacement of hospital services. Space requirements attributable solely to program expansion are not eligible for Federal disaster reimbursement.

Question. What is the basis for basing reimbursement on the services the hospital was providing when it was originally built (1961) rather than when it was destroyed?

Answer. FEMA did not compute reimbursement on the basis of the services HCH was providing in 1961. FEMA based its reimbursement on the costs to restore the hospital structure to its predisaster design, not to the volume and nature of services which were provided at the time of the disaster. The Act authorizes restoration of facilities rather than replacement of services.

Question. If FEMA will not reimburse Holy Cross Hospital for its financing costs in these circumstances, under what circumstances would it reimburse a beneficiary for the cost of borrowing shortfalls in eligible reimbursement?

Answer. We are not aware of any circumstances under Public Laws 91-606, 92-209, or 93-288 which would justify such reimbursement of interest to a grantee for FEMA disaster assistance. Current FEMA Regulations (44 CFR, Part 205.76(a)(25)) prohibit reimbursement of interest on such borrowings in all instances.

EMPLOYMENT AND ADVANCEMENT OF WOMEN

Mrs. BOGGS. Also, Mr. Chairman, last year I raised some questions regarding FEMA's efforts to improve its record in employment and advancement of women. Could you please advise me how this effort has progressed in the past year and how you plan to improve employment opportunities in job mobility for women at FEMA during the coming year?

Mr. GALLAGHER. Mrs. Boggs, we admit we do not have a very good record in this area. However, we do have a few accomplishments. The Presidental Management Intern this year was a female. Among our five SES candidates there is one female. A minority female was approved at Industrial College of Armed Forces. We are beginning an executive development program. Among the candidates there are a number of women. We converted a minority female from the secretarial field to professional field, and there is another similar action pending. Out in Virginia with special facilities we are giving clerk-stenos and clerk-typist tests in all the high schools in the counties to enable the facility to hire minority applicants. They find it difficult to apply out there in that community. But in general our effort to hire minority applicants was handicapped by the hiring freeze which has been in effect.

Mrs. BOGGS. I am sure you are familiar with the GAO report entitled "How to Make Special Emphasis Programs an Effective Part of The Agency's EEO Activities." Have you had an opportunity to implement any of the recommended improvements?

Mr. GALLAGHER. I will have to submit that for the record.

[The information follows:]

The FEMA personnel office is currently gathering data to establish an appropriate data base for a FEORP (Federal Equal Employment Opportunity Recruitment Program). This program will be in effect by the end of fiscal year 1981.

Mr. GALLAGHER. I am not sure if it is part of the GAO report, but 11 contracts were given to women in business. On the other hand, businesses in fiscal year 1982 and two in 1981—I am not sure that it was part of the GAO report.

Mr. JETT. We met with GAO and Department of Justice just in the last few days to talk with them about steps we have been taking. GAO has responsibility in that area, as does Department of Justice. We owe them some information on how steps should be taken to meet the objectives they have and that the process is ongoing. That was our first meeting with them. We have been urging a meeting for some time and we finally got that meeting.

Mrs. BOGGS. Could you provide a summary of the Department's progress in meeting the mandate of Executive Order 12138 which requires affirmative action by Federal agencies to strengthen Women's Business Enterprise? How do you plan to meet these requirements?

Mr. GALLAGHER. We will submit that.

[The information follows:]

WOMEN'S BUSINESS ENTERPRISE

In the area of procurement, the Agency has attempted to increase the level of activity with women owned business. At the present time, the bidders mailing list maintained at headquarters consists of 12 percent women owned businesses. These women owned firms are regularly solicited for competitive procurements. During fiscal year 1980, the Agency made 11 awards totaling $396,114 to women-owned businesses. Our goal for fiscal year 1981, as established by the Small Business Administration is $390,000. In addition, all contracts awarded by FEMA require that contractors use their best efforts to sub-contract to women-owned business.

Mrs. BOGGS. Thank you, Mr. Chairman.

STATE CONTRIBUTIONS

Mr. COUGHLIN. You have the report, do you not, to require State contribution?

Mr. CASEY. The law reads we can make contributions to State and local governments up to 100 percent.

Mr. COUGHLIN. Where you require State contribution, how do you do that now?

Mr. CASEY. We do it in the document that is signed by the President. That is the declaration letter that is returned to our agency, as well as the telegram to the Governor that there is a declaration. We expand on that in a Federal-State agreement, an agreement that is entered into and signed by our Regional Director and the Governor.

Mr. COUGHLIN. Do you have to put the money up-front?

Mr. CASEY. No, the way the program works is that the engineers go out and estimate how much it is going to cost to make the repairs. We approve the project application. The local community conducts the work and pays for it and we reimburse the community 75 percent of their total eligible and approved cost.

Mr. COUGHLIN. Of your disaster grants last year, how much was reimbursed by State and local governments? What percentage—ten percent, three percent?

Mr. CASEY. For all the disasters where we have applied the 75–25 cost-sharing policy—$30 million has been the non-Federal share. The total approved work for all disasters starting with Mount St. Helens was $137,900,000: Federal share, $103,400,000; State and local share, $34,500,000.

Mr. COUGHLIN. Is that all disaster grants last year?

Mr. CASEY. No. That is all the disaster grants since we have been applying this cost-sharing arrangement.

Mr. COUGHLIN. When did you start?

Mr. CASEY. Mount St. Helens in May of 1980.

Mr. COUGHLIN. Prior to that, you did not apply the cost sharing?

Mr. CASEY. Not on a 75–25 basis. It was a variable depending on the situation. This is applied to public assistance. It is not applied to temporary housing.

Mr. COUGHLIN. On everything since Mount St. Helens you applied 75–25?

Mr. CASEY. That is correct.

Mr. JETT. On public assistance only. Restoration and reconstruction of public facilities.

Mr. COUGHLIN. The proposal for a matching contribution, does that apply to public assistance only?

Mr. CASEY. It does.

Mr. COUGHLIN. So it would require 25 percent contribution?

Mr. JETT. If I may clarify. The Administration has not submitted that proposal formally to Congress, although we do anticipate doing it in the next few days. It will go to the Public Works Committees of both the House and Senate.

Mr. CASEY. If I could say something about this from another perspective, not looking at the issue that the Federal government is funding less than 100 percent. What we have found—and we have some actual cases in point—is that following one of the declarations—the State comptroller stopped a State agency from entering into a contract for a certain amount of money because they found another contractor who could do the work cheaper, and they reminded the State agency to remember, part of that is our money.

Mr. COUGHLIN. I personally agree very strongly with requiring some kind of matching contribution in order to not have the Federal government be an open-ended bucket. I take it you agree with this, too.

Mr. CASEY. Exactly.

Mr. GALLAGHER. I said 50–50 or 25–75 or 0–100. I get Mr. Casey mad.

Mr. CASEY. You can do that when I resign.

PRESIDENTIALLY DECLARED DISASTERS

Mrs. BOGGS. Would the gentleman yield?

Is my understanding proper that under the present circumstances, when the Governor of a State requests from the President the declaration of a disaster, that he has to point out whether or not the public buildings, public services, public facilities and so on have been sufficiently damaged to warrant reimbursement for them as well?

Mr. CASEY. That is correct. The Governor is supposed to indicate in his letter to the President exactly what the problems are. As the Chairman has so aptly pointed out, in almost every case it is exaggerated, and we send out Federal engineers to verify exactly what the damage is. Now the help that we can provide can take two forms: a major disaster declaration, which in effect helps in the restoration where there is physical damage; an emergency declaration allows us to take action where there are public health and safety problems and some emergency action has to be taken to preclude or to alleviate those problems.

Mrs. BOGGS. So that if a locality, let us say within the State, has the resources to be able to take care of the damage that is done to their public facilities, then the Governor does not ask for the type of declaration that would cover restorative work for the local communities.

Mr. CASEY. I wish that was always the case.

Mrs. BOGGS. The Governor does have that option.

Mr. CASEY. He has the option—to give you an example, approximately 55 percent of the Governor's requests end up in declarations, either major disaster declaration or emergency declaration; 45 percent of the requests are denied because in our estimation the

situation is not beyond the capabilities of the State and local government.

Mrs. BOGGS. So that the 25 percent match to the 75 percent Federal disaster relief would seem to insure that the States would not ask for more than——

Mr. CASEY. That is another benefit of this matching share. But I must point out that the Governor must also state a commitment on the part of State and local governments for which no Federal reimbursement will be sought. What we have found over the years—this is part of the reasoning of going into the 75–25—is that many of the commitments that were made were what I would call soft commitments. You really could not track the money that the State and local governments were committing and would not seek Federal reimbursement. Taking a look at our experience in the program, the 75–25 cost share was developed. Therefore, we are not paying too much attention anymore to the stated commitment because we are getting a significant commitment through the 25 percent share.

Mr. COUGHLIN. Mr. Chairman, may I ask a follow-up question?

In my other Subcommittee, the Transportation Subcommittee, the legislation now has come down concerning emergency relief through the Department of Transportation for highways. That provides also for 75–25 percent matching. It also has a provision putting a cap of $30 million for single disaster to a single State barring action by Congress. To your knowledge would what you have coming down also have a cap on it, the amount that can be attributed to a particular disaster?

Mr. CASEY. No.

Mr. JETT. No, it does not.

Mr. COUGHLIN. Thank you, Mr. Chairman.

Mr. BOLAND. Thank you, Mr. Gallagher, Mr. Krimm, Mr. Casey, Mr. Crawford and Mr. Jett. It was nice to have had you with us.

I have some additional questions to be answered for the record at this point.

[The questions and answers follow:]

FEDERAL CRIME INSURANCE

[Dollars in thousands]

	1977	1978	1979	1980
Policies issued	39,428	50,011	62,818	85,746
Premiums earned	$6,616	$9,498	$12,296	$13,945
Insurance losses incurred	$11,997	$15,386	$19,623	$43,414
Operating expenses	3,170	4,681	5,400	7,498
Studies and surveys	9		309	
Administrative expenses	105	113	120	122
Total costs	15,281	20,180	25,452	51,034

Question. The number of crime insurance policies issued the past four years has more than doubled (an increase of 46,318 or 117 percent), as has premium income, however, the amount of insurance losses incurred has increased more than three and one-half times (an increase of $31.4 million or 262 percent). What have been the reasons for losses increasing at a faster rate than policies issued and premium income?

Answer. Over the course of this four year period, the rates of coverage were never raised to adjust to the rate of inflation over that time. Losses, however, are totally subject to inflationary factors, and, consequently, grew at a faster rate than premium income. Thus, the claim frequency has not changed drastically over that time, but the average claim has climbed to reflect the effects of inflation, while the average premium has remained generally stable. The inflation not only accounts for increased cost of loss payments, but increased cost in adjustment expenses and other operating costs.

Furthermore, crime figures are up throughout the country, probably due to the continuing economic situation. This is bound to be reflected in a program whose clientele resides and operates in high crime areas.

Question. Have the increased losses been in the residential or the commercial policies? Would you provide a breakdown of the losses for the last four years according to the type of policy. Has FIA analyzed the losses by type of policy? What steps has FIA taken to reduce the losses in those categories incurring the greatest losses?

Answer. The number of paid claims by category in the FCIP over the past four years is as follows:

	Residential		Commercial	
	Number	Average payment	Number	Average payment
1977	921	$1,931	2,579	$2,595
1978	1,190	2,109	2,940	2,473
1979	1,201	2,157	2,694	2,774
1980	3,579	2,736	6,701	3,690

As is evident from this list, both categories of losses have grown, with commercial losses showing the largest growth. In analyzing these figures, we have taken a number of steps.

FIA has reduced the program's exposure on residential policies on losses for luxury items such as jewelry, silver, furs, and the like from maximum limits of $10,000 to $500 per occurrence.

Further, we will be analyzing the program protection device requirements for commercial risks to tighten up security provisions to limit losses in that category.

We have also drafted a plan to increase rates and a decision on such an increase will be forthcoming.

Question. The budget documents state that FIA will phase out residential crime insurance in those States where the individual FAIR Plan provides homeowners coverage which offers the same coverage available under the Federal crime insurance program. The budget also states that crime insurance coverage has been a part of the homeowners coverage offered by three state FAIR Plans. Why does FIA continue to sell crime insurance in those States (Illinois, Massachusetts, and Rhode Island)?

Answer. The commitment to phase out residential crime insurance in those States where the FAIR Plan has provided the homeowners coverage was premised on the homeowners packages providing coverage against burglary and robbery equivalent to that available under the FCIP. That has not been the case in the States which have enacted homeowners coverage to date. Not only are the limits available lower, but the deductible in most cases is much higher than the Federal coverage.

Question. The 1980 budget estimated that 77,924 policies would be issued that year generating $13.3 million in earned premiums and $24.1 million in losses. The actual figures for 1980 as shown in the 1982 budget indicates that 85,746 policies were issued, generating $13.9 million in earned premiums and $43.4 million in losses. Can FIA explain why actual losses were 80 percent above estimated losses whereas actual policies issued were only 10 percent above estimated and actual premium income was only five percent over estimated premium income?

Answer. As noted above, economic conditions have resulted in a greatly increased crime rate which could not necessarily be foreseen in making budget projections. That factor, combined with inflation rate and the lack of increase in FCIP rates, accounts for the large discrepancy.

Question. FIA entered into a contract in September 1978 to increase the awareness of insurance and especially Federal crime insurance. The contract called for a pilot project in 5 cities to publicize crime insurance. What were the results of that pilot project? Does FIA feel that they were effective and in which way? Did Federal

crime insurance policies issued increase in those 5 cities? Can those increases be attributed to the pilot project?

Answer. The results of the pilot project were not as successful as anticipated. There was some increase in policy sales in the cities involved, but not in proportion to the efforts expended. Some of the reasons for the less than successful results were: a lesser number of agents in the inner city to sell the policies; the apparent absence of a critical availability or affordability problem in at least one city, Denver; the low income levels of the residents which make the decision to buy insurance a difficult choice, especially with the requirements under the FCIP to install protective devices; and a lack of understanding of insurance, especially among the elderly.

The project also found that the vehicle of using local community groups is not the most effective way of promoting the program. The education of the agents appears to be a better route.

Question. What procedures does FIA use to publicize the Federal crime insurance program? Have they analyzed the various methods of promoting Federal crime insurance? What has been the most effective means of promoting the sale of Federal crime insurance?

Answer. The program has relied upon newspaper and magazine articles, brochers, posters, and agent workshops to enhance the public awareness of the program. The most effective vehicles have been media articles and agents workshops.

National Insurance Development Fund

Question. The 1981 budget justification (page 104) states that the Fund had an unobligated balance at the end of fiscal year 1979 of $315,715,000. The 1982 budget justification states that the balance at the beginning of fiscal year 1980 was $326,597,000. What accounts for the $10,882,000 difference in the two documents for an amount that should be the same?

Answer. The correct figure for the unobligated balance at the end of fiscal year 1979 and at the start of fiscal year 1980 is $316,597,000. Two separate incidents resulted in each number being incorrect.

When FIA was transferred to FEMA, HUD showed a balance for the NIDF of $316,597,000 but HUD only released $306,597.000 (58x4235) leaving a difference of $10,000,000.

The $10,000,000 was subsequently transferred to FEMA (86x4235).

The Treasury Department showed an unobligated balance of $316,597,000 but OMB showed an unobligated balance of $326,597,000 apparently picking up the $10,000,000 difference twice.

The second problem was on the trial balances at the end of fiscal year 1979. There was difference of $882,000 between the amount used on the Program and Financing schedule and the amount finally reported to treasury after FIA was transferred to FEMA.

Question. The 1981 budget justification (page 103) states that about $125 million will be available in the National Insurance Development Fund in 1979 for riot losses, excluding draw-downs for the Crime insurance program. The 1982 budget justification states that only about $122 million will be available in 1980. Considering that the riot reinsurance program had a net profit of $3.5 million in both fiscal years 1979 and 1980, why have the funds available for riot losses decreased? Why do you state that you expect further reductions for the next two years—an increase in resources is shown in the budget for fiscal year 1981?

Answer. The funds available for riot losses excluding draw-downs by the crime program, have not decreased. The 1981 Budget justification stated $125 million was available in 1979. This figure was a projection for 1981. At the end of 1979, approximately $118 million was available, and the additional $3.5 million increased the available funds in 1980 to approximatley $122 million.

By the end of fiscal year 1982 the balance available, excluding draw-downs by the Crime program, will decrease. Even with the interest expense charged to the Crime program, premium income would not be sufficient to cover losses and expenses. These estimates are based on the assumption that there is no rate increase in the riot program. If there is an increase, this deficit situation should be reversed.

Question. The 1982 budget justification indicates that there was an $18.8 million adjustment to prior year costs in fiscal year 1980. Did these adjustments affect the riot reinsurance of the crime insurance program? What was the nature of these costs?

Answer. The adjustment of $18.8 million in prior year costs affected the Federal Crime Insurance Program and the unobligated balance in the National Insurance Development Fund.

The adjustment is broken down as follows:

Incorrect opening unobligated balance reported by OMB	$10,000,000
Incorrect fiscal year 1980 claims actual	6,306,000
Difference between estimates used in budget submission and actuals	2,461,000
Total	18,767,000

Question. The 1982 budget justification states that $1.6 million of riot reinsurance claims are pending for the 1978–79 contract year. These claims were shown as pending in last year's budget as well. Can you explain the nature of these claims and why they have not been settled? What is the nature of the $1.5 million in claims pending for the 1979–80 contract year and when do you expect to settle those claims? How much do you expect to pay out on the $3.1 million in pending claims? Is this reflected in the budget?

Answer. The Riot Reinsurance program has a total of approximately $13 million in pending claims. There is a $1.5 million claim for the 1977–78 contract year stemming from a college dormitory incident, a $1.5 million claim for the 1978–79 contract arising from an arson at a Virginia high school, and an $8.5 million claim, now projected to rise to $10 million, arising from a prison riot in New Mexico.

The 1978–79 claim should be settled over the next few months. There has been some question as to whether it was a covered occurrence and may well be denied.

Settlement of the 1977–78 claim is awaiting more information from the company filing the claim, and may also be denied.

The New Mexico loss is estimated to be paid in the amount of $10 million. The $10 million figure is not reflected in the budget because the details on this claim were not received at the time of budget preparation.

Question. The 1982 budget justification estimates that the riot reinsurance program will sustain a loss of $416,000. Does FIA plan to take any steps to increase the premium income for this program to cover the cost of its operation? Does FIA anticipate this program operating at a loss in future years?

Answer. The loss projected in 1982 for the Riot Reinsurance program is due partly to a depletion of the National Insurance Development Fund (NIDF) to pay for losses in the Federal Crime Insurance Program (FCIP) down through the years. The Fund had traditionally shown a profit from year to year because of the investment income forthcoming due to the size of the Fund. With the depletion of the Fund due to the FCIP losses, the investment income has diminished substantially. Furthermore, because of the Holtzman Amendment and other factors, a number of States, most notably New York and California, have withdrawn from the program, thus reducing the premium income for the Fund.

Whether the program will lose money in future years will depend upon a number of factors, namely, whether an appropriation is approved to pay back the NIDF for FCIP losses, thus restoring the potential for investment income, whether the FCIP will be funded in the future through the NIDF or through an annual appropriation or will be terminated, and whether some States decide to participate again in the Program. The stability of the Fund would be improved with the re-entry into the program of some of the States which have withdrawn, perhaps with the possible repeal of the Holtzman Amendment.

The premium income could be increased through a rate increase or through the above-mentioned factor of restoring the Fund to its original, healthy condition, and funding the FCIP in some other way, and having States re-enter the Program or new States, such as Florida, elect to participate. The feasibility of raising rates cannot be evaluated until some decision is made on these other factors.

Question. $300,000 of the $416,000 loss for the riot reinsurance program estimated for fiscal year 1982 is to cover interest expense. Since the borrowings made by the Fund are a result of losses sustained by the crime insurance program, why isn't the interest expense shown as a cost of that program rather than the riot reinsurance program?

Answer. The National Insurance Development Fund was established from proceeds from the operation of the Riot Reinsurance Program. Title VI of the Housing and Urban Development Act of 1970 (P.L. 91–609) authorizes the Federal Crime Insurance Program to receive temporary funding from the Fund. The Fund was, however, established to pay excess losses resulting from riots and civil disorders. Since this was the original intent, it was felt that the interest expense should be charged against the Fund, and hence, as an expense of riot. After reconsideration, it would seem appropriate that the interest expense be charged to the crime program, since it caused the borrowing to occur. On future budget exhibits interest expense will be charged to the crime program.

Question. A deficit of $35.5 million is projected for the Fund at the end of fiscal year 1982. This deficit will be funded through borrowings by the Fund. The Fund has a borrowing authority of $250 million. How long will this level of borrowing

authority be sufficient to cover the losses that will be sustained by the Fund in future years?

Answer. Based on current projections and assuming no appropriation is received, the $250 million in borrowing authority will be obligated by the end of fiscal year 1987.

Question. What are the stockpile goals for the vegetable tannin extracts: Quebracho, Wattle and Chestnut?

Answer. The National Defense Stockpile goal for each vegetable tannin extract is as follows:

Vegetable tannin extract:	*Goal*
Chestnut (long tons)	5,000
Quebracho (long tons)	28,000
Wattle (long tons)	15,000

Question. What are the amounts currently in the stockpile for these vegetable tannin extracts?

Answer. The National Defense Stockpile Inventory of each vegetable tannin extract as of February 28, 1981 is:

Vegetable tannin extract:	*Inventory*
Chestnut	16,722
Quebracho	142,703
Wattle	16,397

Question. When was most of the vegetable tannin purchased for the GSA stockpile?

Answer. Most of the vegetable tannin extracts currently in the stockpile inventories were acquired for the stockile during the years 1950–1960.

Question. Has the quality of the vegetable tannin deteriorated due to age and contamination?

Answer. The activity cited in the above question falls under the activities and responsibilities of the Federal Property Resources Service of the General Services Administration as delegated by Executive Order 12155, Section 1–102. FEMA has requested an answer to the question from FPRS. The answer will be provided to the Committee as soon as it becomes available. However, FEMA is aware of the following:

a. Recent disposal sales have been in accordance with the interagency approved Annual Materials Plan.

b. The tannin sales program has been conducted in keeping with the mandate to protect the United States against avoidable loss as required by the Strategic and Critical Materials Stock Piling Act (Pub. L. 96–41), Sec. 6(b)2.

c. A brief overview of the tannin sales program indicates that GSA has acted in a manner to avoid market disruption and has included considerations for condition, location and packaging in their price structure.

Question. Is it likely that purchasers of tannin products from the stockpile would have to reprocess the materials to bring them up to usable quality?

Answer. The activity cited in the above question falls under the activities and responsibilities of the Federal Property Resources Service of the General Services Administration as delegated by Executive Order 12155, Section 1–102. FEMA has requested an answer to the question from FPRS. The answer will be provided to the Committee as soon as it becomes available. However, FEMA is aware of the following:

a. Recent disposal sales have been in accordance with the interagency approved Annual Materials Plan.

b. The tannin sales program has been conducted in keeping with the mandate to protect the United States against avoidable loss as required by the Strategic and Critical Materials Stock Piling Act (Pub. L. 96–41), Sec. 6(b)2.

c. A brief overview of the tannin sales program indicates that GSA has acted in a manner to avoid market disruption and has included considerations for condition, location and packaging in their price structure.

Question. What amounts of vegetable tannin have been sold from the stockpile in recent years at FEMA's direction?

Answer.

VEGETABLE TANNIN QUANTITIES SOLD

Year	Quebracho (LT)	Wattle (LT)	Chestnut (LT)
1980	3,713	0	708
1979	4,620	0	768
1978	6,196	0	1,508
1977	3,254	0	1,573
1976	5,720	3,808	501

Question. What were the prices tendered for the tannin?

Answer. The activity cited in the above question falls under the activities and responsibilities of the Federal Property Resources Service of the General Services Administration as delegated by Executive Order 12155, Section 1-102. FEMA has requested an answer to the question from FPRS. The answer will be provided to the Committee as soon as it becomes available. However, FEMA is aware of the following:

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b. The tannin sales program has been conducted in keeping with the mandate to protect the United States against avoidable loss as required by the Strategic and Critical Materials Stock Piling Act (Pub. L. 96-41), Sec. 6(b)2.

c. A brief overview of the tannin sales program indicates that GSA has acted in a manner to avoid market disruption and has included considerations for condition, location and packaging in their price structure.

Question. How did the prices compare with those on the open market for fresh tannin products?

Answer. The activity cited in the above question falls under the activities and responsibilities of the Federal Property Resources Service of the General Services Administration as delegated by Executive Order 12155, Section 1-102. FEMA has requested an answer to the question from FPRS. The answer will be provided to the Committee as soon as it becomes available. However, FEMA is aware of the following:

a. Recent disposal sales have been in accordance with the interagency approved Annual Materials Plan.

b. The tannin sales program has been conducted in keeping with the mandate to protect the United States against avoidable loss as required by the Strategic and Critical Materials Stock Piling Act (Pub. L. 96-41), Sec. 6(b)2.

c. A brief overview of the tannin sales program indicates that GSA has acted in a manner to avoid market disruption and has included considerations for condition, location and packaging in their price structure.

Question. Due to the contaminated and deteriorated condition of certain stockpile tannin products, why shouldn't the sale price from the stockpile reflect the fact buyers will have to reprocess the tannin?

Answer. The activity cited in the above question falls under the activities and responsibilities of the Federal Property Resources Service of the General Services Administration as delegated by Executive Order 12155, Section 1-102. FEMA has requested an answer to the question from FPRS. The answer will be provided to the Committee as soon as it becomes available. However, FEMA is aware of the following:

a. Recent disposal sales have been in accordance with the interagency approved Annual Materials Plan.

b. The tannin sales program has been conducted in keeping with the mandate to protect the United States against avoidable loss as required by the Stratgic and Critical Materials Stock Piling Act (Pub. L. 96-41), Sec. 6(b)2.

c. A brief overview of the tannin sales program indicates that GSA has acted in a manner to avoid market disruption and has included considerations for condition, location and packaging in their price structure.

Question. Why has the General Services Administration rejected bids for deteriorated tannin products which have assumed that additional reprocessing costs would be incurred?

Answer. The activity cited in the above question falls under the activities and responsibilities of the Federal Property Resources Service of the General Services Administration as delegated by Executive Order 12155, Section 1-102. FEMA has requested an answer to the question from FPRS. The answer will be provided to the Committee as soon as it becomes available. However, FEMA is aware of the following:

a. Recent disposal sales have been in accordance with the interagency approved Annual Materials Plan.

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c. A brief overview of the tannin sales program indicates that GSA has acted in a manner to avoid market disruption and has included considerations for condition, location and packaging in their price structure.

Mr. BOLAND. The Committee is adjourned. We will place the justifications in the record at this point.

[The justifications follow:]

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Introduction to Justification

Federal Emergency Management Agency

Budget Estimates for FY 1982

The Federal Emergency Management Agency (FEMA) was proposed by the President in Reorganization Plan No. 3 of 1978. The Agency operates under the following authorities which carry a wide range of program responsibilities for emergency planning, preparedness, response and recovery, and hazard mitigation.

- Under the Federal Civil Defense Act of 1950, as amended, responsibility for administering a national program for defense of the population and industry in the case of an attack upon the United States.

- Under the Federal Fire Prevention and Control Act of 1974, programs to reduce national fire loss, including training, research, and data collection and dissemination.

- Under the National Flood Insurance Act of 1968, as amended, and the Flood Disaster Protection Act of 1973, administration of a national program to provide flood insurance and to encourage better floodplain management.

- Under the Urban Property Protection and Reinsurance Act of 1968, as amended, programs to provide crime insurance and riot reinsurance.

- Under the Disaster Relief Acts of 1970 and 1974, programs to provide assistance to individuals, businesses and State and local governments in Presidentially declared major disaster or emergency areas.

- Under the National Security Act of 1947, as amended, the Strategic and Critical Materials Stockpiling Act, as amended, and the Defense Production Act of 1950, as amended, programs to provide for continuity of government, emergency resource assessment and management, post-attack economic recovery and stabilization, and policy guidance for stockpiling strategic materials.

- Under the Earthquake Hazards Reduction Act of 1977, programs designed to identify and reduce earthquake vulnerabilities and consequences.

- By Presidential directive, responsibility for off-site emergency preparedness for nuclear power facilities and oversight of the national dam safety program.

Funds and personnel to support these activities are requested in four appropriations, as displayed in the following table. The program structure within those appropriations has been revised to reflect more accurately the operations of the Agency. Each section of this justification begins with a table which translates the structure under which the Committee considered the FY 1981 request into the new format.

The Federal Emergency Management Agency administers three appropriations and two revolving funds as follows:

Emergency Planning, Preparedness and Mobilization

The requested budget authority of $183,277,000 provides for the necessary expenses of Federal emergency preparedness activities. These budget activities are: State and Local Preparedness, which includes civil defense, communications and warning policy, and radiological emergency preparedness; Federal Preparedness, including continuity of government and policy development; Operations Support, which includes warning and communications systems; Mitigation and Research, including natural hazards and national security research, and systems analysis; and Training and Education.

Hazard Mitigation and Disaster Assistance

The budget authority request of $112,844,000 will provide for necessary expenses to support the following budget activities: Disaster Relief Administration; Fire Prevention and Control, which includes the National Fire Academy; Federal Insurance, including flood insurance studies; and Management and Administration.

Disaster Relief Funds Appropriated to the President

The requested budget authority of $369,000,000 provides for an orderly and continuing means of assistance to State and local governments in carrying out their responsibilities to alleviate the suffering of individuals and damage which results from disasters.

National Flood Insurance Fund

The National Flood Insurance Act of 1968, as amended, authorizes the Federal Government to provide flood insurance on a national basis.

The $373,000,000 requested budget authority will be used to retire cumulative outstanding indebtedness of the fund at the end of 1980. Projected net obligations for FY 1982 are $115,274,000.

National Insurance Development Fund

No budget authority is requested for the National Insurance Development Fund for FY 1982. This fund provides the funding for two programs authorized by the Urban Property Protection and Reinsurance Act of 1968, as amended: the FAIR (Fair Access to Insurance Requirements) Plan/Riot Reinsurance Program, and the Federal Crime Insurance Program.

FEDERAL EMERGENCY MANAGEMENT AGENCY
BUDGET STRUCTURE

Two of the Federal Emergency Management Agency's appropriations — the Emergency Planning, Preparedness and Mobilization (EPPM) and the Hazard Mitigation and Disaster Assistance (HMDA) — reflect a new budget structure in FY 1982.

The program activities of these two appropriations under the new budget structure are:

EMERGENCY PLANNING, PREPAREDNESS AND MOBILIZATION

Federal Preparedness
- Resource Preparedness
- Continuity of Government
- Policy Development
- Communications and Warning Policy
- Tests and Exercises
- Program Coordination

Mitigation and Research
- Natural Hazards Research
- National Security Research
- Research Applications
- Systems Analysis and Integration
- Technological Hazards Research

Operations Support
- Management and Administration
- Communications and Warning
- Disaster Response and Recovery
- Fire Prevention and Control
- Federal Insurance
- Mitigation and Research
- Federal Preparedness
- State and Local Preparedness
- Training and Education

State and Local Preparedness
- Emergency Management Assistance
- Supporting Materials/Maintenance and Services
- Radiological Defense
- Nuclear Attack Civil Preparedness
- Mobilization Designees
- Emergency Operating Centers
- Supporting Activities
- Communications and Warning Policy
- Comprehensive Emergency Preparedness Planning
- Special Hazards Preparedness Planning
- Radiological Emergency Preparedness
- Management and Administration

Training and Education
- Instructional Programs and Materials
- Maintenance and Operations of FEMA Schools
- Training Field Deployment Systems
- Training and Education Projects
- Emergency Information

Reimbursable Program

HAZARD MITIGATION AND DISASTER ASSISTANCE

Federal Insurance
- Administration of Federal Insurance
- Flood Insurance Studies
- Purchase of Property
- Assistance to States

Fire Prevention and Control
- Arson Prevention and Control
- Emergency First Response
- Firefighter Health and Safety
- Cost-Effective Fire Protection Management
- Academy Operations and Maintenance
- Residential Fire Safety

Disaster Relief Administration

Management and Administration

Reimbursable Programs

DISASTER RELIEF

NATIONAL FLOOD INSURANCE FUND

NATIONAL INSURANCE DEVELOPMENT FUND

Federal Emergency Management Agency
Summary of Appropriations
(In thousands of dollars)

	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982
Emergency Planning, Preparedness and Mobilization				
Appropriation	$129,621	$160,121	$159,017	$185,620
FY 1980 Supplemental for Radiological Emergency Preparedness	1,900			
President Carter's March 1980 reduction		- 1,104		
PL 96-526 reduction			- 795	
Appropriation transfer from Nuclear Regulatory Commission			+ 2,619	
Carryover from State and Local Preparedness Appropriation			+ 100	
FY 1981 Supplemental for October 1980 pay raise.			+ 1,489	
President Reagan's March 1981 reduction			- 847	- 2,343
Total	$131,521	$159,017	$161, 583	$183,277
Hazard Mitigation and Disaster Assistance				
Appropriation	$118,709	$113,900	$109,350	$115,000
President Carter's March 1980 reduction		- 749		
Congressional reduction		- 3,801		
PL 96-526 reduction			- 547	
Carryover in Fire Prevention and Control	2,727		+ 14	
FY 1981 Supplemental for October 1980 pay raise.			+ 1,473	
President Reagan's March 1981 reduction			- 620	-2,156
Total	$121,436	$109,350	$109,670	$112,844
Disaster Relief				
Appropriation	$193,600	$375,570	$375,570	$400,000
FY 1980 Supplemental	870,000			
PL 96-526 reduction			- 9,121	
President Reagan's March 1981 reduction			- 8,000	-31,000
Total	$1,063,600	$375,570	$358,449	$369,000

	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982
National Flood Insurance Fund	$ 0	$603,000	$575,000	$373,000
Congressional reduction		-28,000		
PL 96-526 reduction			-13,915	
Total	$ 0	$575,000	$561,085	$373,000
National Insurance Dvelopment Fund	$ 0	$ 0	$ 0	$ 0
Grand Total	$1,316,557	$1,218,937	$1,190,787	$1,038,121

FEDERAL EMERGENCY MANAGEMENT AGENCY

APPROPRIATION LANGUAGE

EMERGENCY PLANNING, PREPAREDNESS, AND MOBILIZATION

For necessary expenses, not otherwise provided for, to carry out civil defense and emergency planning preparedness and mobilization activities, including activities authorized by section 103 of the National Security Act (50 U.S.C. 404 [et seq.]), the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98 et seq.), the Federal Civil Defense Act of 1950, as amended (50 U.S.C. App. 2251 et seq.), the Earthquake Hazards Reduction Act of 1977 (42 U.S.C. 7701 et seq.), the National Science and Technology Policy Organization and Priorities Act of 1976 (42 U.S.C. 6601, 6671), and the Defense Production Act of 1950, as amended (50 U.S.C. App. 2061 et seq.), [$159,017,000] 183,277,000 of which not to exceed [$39,034,000] $46,237,000 shall be available for allocation under section 205 of the Federal Civil Defense Act of 1950, as amended. (Department of Housing and Urban Development-Independent Agencies Appropriation Act, 1982; additional authorizing legislation to be proposed.)

Summary of
Emergency Planning, Preparedness and Mobilization
(In thousands of dollars)

	Actual FY 1980 a/	Budget Estimate FY 1981 a/	Current Estimate FY 1981	Budget Estimate FY 1982
Direct Program				
Federal Preparedness	$ 4,467	$ 5,586	$ 7,785	$ 19,431
Mitigation and Research	7,944	11,242	9,045	12,854
Operations Support	39,318	43,185	43,429	37,507
State and Local Preparedness	70,860	89,118	88,486	99,274
Training and Education	8,932	10,990	12,838	14,211
Total	$131,521	$160,121	$161,583 b/	$183,277
Outlays	$132,967	$144,145	$148,295	$166,412
Reimbursable Program	$ 2,048	$ 2,146	$ 2,226	$ 2,400

Changes from Original FY 1981 Estimates

Direct Program

o $ - 1,104,000	President Carter's March 1980 reduction
o - 795,000	PL 96-526 reduction
o + 2,619,000	Appropriation transfer from Nuclear Regulatory Commission
o + 100,000	Carryover
o + 1,489,000	October 1980 pay raise
o - 847,000	President Reagan's March 1981 reduction
$ + 1,462,000	Net Increase

Reimbursable Program

o $ + 91,000	Tariff increase and October 1980 pay raise from Corps of Engineers.
o - 23,000	Reduced cafeteria sales
o + 12,000	ESVN increased communication costs
$ + 80,000	Net increase

a/ Shown under new budget structure for comparability
b/ Includes appropriation transfer from Nuclear Regulatory Commission of $2,619 thousand

Emergency Planning, Preparedness and Mobilization
Summary of
Permanent Positions and Total Workyears

	Actual 1980			Budget Estimate FY 1981			Current Estimate FY 1981			FY 1982		
	Permanent Positions		Total Work-years	Permanent Positions		Total Work-years	Permanent Positions		Total Work-years	Permanent Positions		Total Work-years
	HQs	Regions		HQs	Regions		HQs	Regions		HQs	Regions	
Federal Preparedness												
Resource Preparedness	55	---	59	55	---	56	55	---	53	62	---	63
COG	15	5	21	22	9	32	20	29	49	20	29	48
Policy Development	---	---	---	---	---	---	---	---	---	---	---	---
Comm's Warning Policy	(7)	---	(7)	(7)	---	(7)	7	---	7	7	---	7
Test and Exercises	(5)	(8)	(13)	(8)	(10)	(18)	8	---	8	8	---	8
Program Coordination	25	18	46	42	30	76	26	---	27	---	---	---
	95	23	126	119	39	164	116	29	144	97	29	126
Mitigation and Research												
Natural Hazards	3	---	7	3	---	13	10	6	21	10	6	19
National Security	13	---	18	14	---	18	11	---	10	11	---	10
Research Applications	6	---	7	7	---	6	6	---	6	5	---	5
Systems Analysis and Integration	1	---	2	1	---	1	1	---	1	2	---	2
Technological Hazards Research	3	---	6	3	---	2	3	---	4	3	---	4
	26	---	40	28	---	40	31	6	42	31	6	40
Operations Support												
Management and Adm	7	---	7	7	---	7	7	---	7	9	---	8
Comm's and Warning	307	84	394	306	110	415	308	105	399	295	105	392
DR&R	1	---	1	1	---	1	1	---	1	1	---	1
Fire	1	---	1	1	---	1	1	---	1	1	---	1
Insurance	5	---	5	5	---	5	5	---	5	5	---	5
M&R	1	---	1	1	---	1	1	---	1	1	---	1
Federal Preparedness	280	---	282	268	---	262	220	---	216	198	---	197
S&L	9	---	9	9	---	9	9	---	9	10	---	9
T&E	2	---	2	2	---	2	2	---	2	2	---	2
	613	84	702	600	110	703	554	105	641	522	105	616

State and Local												
EMA	7	10	18	8	10	18	8	10	17	8	10	18
SM/MS	3	6	9	3	6	9	3	6	9	3	6	9
RADEF	16	14	29	21	15	35	19	10	28	19	12	30
NACP	23	87	111	29	94	123	27	85	108	27	92	118
MOBDES	---	---	---	---	---	---	---	---	---	---	---	---
EOC's	6	15	20	6	15	21	6	15	20	6	15	20
Supporting Activity	2	15	16	2	15	17	---	---	---	---	---	---
Comm's Warning Policy	9	8	18	10	8	18	7	8	14	7	8	14
Comp Emerg Planning	5	17	23	5	17	22	4	10	15	4	10	15
Special Hazards	7	11	17	7	11	18	7	11	17	7	11	18
REP	10	34	43	---	---	---	14	22	34	14	23	37
Management and Adm	7	110	137	27	200	227	5	172	174	---	---	---
	95	327	441	118	391	508	100	349	436	95	187	279
Training and Education												
Instructional Programs and Materials	9	---	9	6	---	6	6	---	6	6	---	6
Maintenance and Ops of FEMA Schools	7	---	9	30	---	30	29	---	27	29	---	27
Training Field Deployment Systems	9	---	12	6	---	6	6	28	34	6	28	37
T&E Projects	4	---	4	4	---	4	3	---	3	3	---	3
Emergency Information	20	---	25	23	---	28	22	---	24	---	---	---
	49	---	59	69	---	74	66	28	94	44	28	73
Reimbursable	36	---	51	55	---	65	36	---	49	36	---	50
Total	914	434	1,419	989	540	1,554	903	517	1,406	825	355	1,184

SUMMARY OF
EMERGENCY PLANNING, PREPAREDNESS AND MOBILIZATION
OBJECT CLASSES
(In thousands of dollars)

Code	Object Class	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982
	Direct Obligations				
	Personnel compensation:				
11.1.	Permanent positions	$ 33,798	$ 35,777	$ 33,808	$ 28,160
11.3	Positions other than permanent	165	140	321	280
11.5	Other personnel compensation	540	881	728	690
	Total personnel compensation	$ 34,503	$ 36,798	$ 34,857	$ 29,130
	Personnel benefits:				
12.1	Civilian	$ 3,411	$ 3,630	$ 3,490	$ 2,636
21.0	Travel and transportation of persons	2,186 a/	2,270 a/	2,268	2,170
21.1	Interagency motor pool				
22.0	Transportation of things	100	185	185	81
23.1	Standard level user charge	3,044	3,159	3,159	-
23.2	Comm., utilities & other rent.	18,025	17,928	19,307	19,371
24.0	Printing and reproduction	1,194	1,318	1,418	1,939
25.0	Other services	26,602	49,064	49,544	59,961
26.0	Supplies and materials	2,900	3,252	3,281	2,197
31.0	Equipment	440	2,097	2,317	3,005
32.0	Lands and structures		571	571	1,500
41.0	Grants, subsidies, and contributions	39,113	39,829	41,166	61,287
42.0	Insurance claims and indemnities	3	20	20	
43.0	Interest and dividends				
99.0	Total direct obligations	$131,521	$160,121	$161,583	$183,277
	Reinbursable Obligations				
	Personnel compensation:				
11.1	Permanent positions	$ 601	$ 601	$ 601	$ 637
11.3	Positions other than permanent	262	262	262	290
11.5	Other personnel compensation	85	85	85	45
	Total personnel compensation	$ 948	$ 948	$ 948	$ 972
	Personnel benefits:				
12.1	Civilian	$ 94	$ 103	$ 103	$ 102
21.0	Travel and transportation of persons	-	-	-	-
22.0	Transportation of things	-	-	-	-
23.1	Standard level user charge	-	-	-	-
23.2	Comm., utilities & other rent.	454	426	506	713
24.0	Printing and reproduction	-	-	-	-
25.0	Other services	75	45	45	1

		Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982
26.0	Supplies and materials.....	$ 467	$ 604	$ 604	$ 595
31.0	Equipment.....	10	20	20	17
32.0	Lands and structures.....	-	-	-	-
41.0	Grants, subsidies, and contributions.....	-	-	-	-
42.0	Insurance claims and indemnities.....	-	-	-	-
43.0	Interest and dividends.....				
99.0	Total reimbursable obligations	$ 2,048	$ 2,146	$ 2,226	$ 2,400

a/ Includes $900,000 in travel for shelter survey program originally shown in object class 25 for payment on a reimbursable basis to the Corps of Engineers. Change approved in FY 1980. $88,000 was reduced from $900,000 for a net of $812,000.

Federal Preparedness

This program encompasses the development and implementation of concepts and plans, the provision of policy guidance to Federal departments and agencies, and the direction of nationwide activities which support civil government preparedness. It includes the establishment of requirements for national telecommunications and warning systems, for automated data processing systems to support Federal preparedness activities, and the design and conduct of national and international preparedness tests and exercises. Also covered in this area are the development of plans, systems and capabilities for resources management and economic stabilization in an emergency, including policy guidance for the stockpiling of critical materials. Major program activities are:

- Communications and Warning Policy, in which operational and technical requirements for systems to support FEMA s emergency management missions are developed, technical support to the National Communications Systems is provided, oversight of the Emergency Broadcast System is maintained;

- Continuity of Government, in which FEMA's responsibilities for developing and promulgating policies and plans for continuity of the Presidency and the executive branch are carried out;

- Policy Development, in which alternative approaches to development and installation of emergency preparedness and response capabilities at all levels of government are assessed and tested;

- Resource Preparedness, in which FEMA identifies and evaluates present and possible threats to national security resulting from foreign resource dependencies and develops proposals to reduce these threats, assesses the Nation's mobilization capability in time of emergency and develops plans and systems for emergency resources management; and,

- Tests and Exercises, in which FEMA develops plans for, and conducts and participates in exercises at all levels of government, including international, to test the efficacy of emergency plans, procedures and systems.

FEDERAL PREPAREDNESS
(In thousands of dollars)

SUMMARY OF BUDGET ESTIMATES

I. Summary of Budget Request

PROGRAM HIGHLIGHTS PROGRAM LEVEL	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
Plans and Preparedness						
National Security Affairs						
Resource Preparedness		$ 1,937	$ 2,280			
Government Preparedness		686	1,500			
Program Coordination		1,844	1,806			
Research and Systems Development						
Systems Development		(1,519)	(2,110)			
A. Resource Preparedness	16			$ 2,451	$ 4,491	$ + 2,040
B. Continuity of Government	20			1,726	11,400	+ 9,674
C. Policy Development	24			2,065	2,905	+ 840
D. Communications and Warning Policy	27			315	307	- 8
E. Tests and Exercises	31			461	328	- 133
F. Program Coordination	34			767	0 a/	- 767
BUDGET AUTHORITY		$ 4,467	$ 5,586	$ 7,785	$19,431	$ + 11,646
BUDGET OUTLAYS		$ 4,511	$ 5,027	$ 7,066	$17,598	
PERMANENT POSITIONS - HEADQUARTERS		(98) b/	119	(116)	97	
- REGIONS		(30) b/	39	(29)	29	
TOTAL WORKYEARS		(136)	164	(144)	126	

a/ Included in the Hazard Mitigation and Disaster Assistance appropriation in FY 1982.

b/ Three Headquarters and seven regional positions were funded in State and Local Civil Protection and Planning Assistance in FY 1980.

II. Changes from Original FY 1981 Estimates

This activity reflects a net increase of $2,199,000 due to:

o	$ - 52,000	President Carter's March reduction
o	+ 198,000	October 1980 pay raise
o	+ 2,065,000	From Plans and Preparedness, Research and Systems Development
o	+ 100,000	From State and Local Preparedness appropriation
o	- 112,000	President Reagan's March 1981 reduction
	$ + 2,199,000	Net Increase

FEDERAL PREPAREDNESS
(In thousands of dollars)

A. Resource Preparedness

	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
National Security Affairs Resource Preparedness		$ 1,937	$ 2,280			
1. Resource Management	17			$ 0	$ 90	$ + 90
2. Stockpile Policy	17			20	90	+ 70
3. Resource Assessments	18			100	1,800	+ 1,700
4. Program Staff	19			2,331	2,511	+ 180
BUDGET AUTHORITY		$ 1,937	$ 2,280	$ 2,451	$ 4,491	$ + 2,040
BUDGET OUTLAYS		$ 1,956	$ 2,054	$ 2,228	$ 4,056	
PERMANENT POSITIONS - HEADQUARTERS		(58) a/	55	(55)	62	
- REGIONS		(7) a/	0	(0)	0	
TOTAL WORKYEARS		(69)	56	(53)	63	

Changes from Original FY 1981 Estimates
The net increase of $171,000 is due to:

- o $ - 22,000 President Carter's March 1980 reduction
- o + 100,000 From State and Local Preparedness Appropriation
- o + 93,000 October 1980 pay raise

$ + 171,000 Net increase

a/ Three Headquarters and seven regional positions were funded in State and Local Civil Protection and Planning Assistance in FY 1980.

1. Resource Management

a. Authority. National Security Act of 1947 as amended; Defense Production Act of 1950, as amended; Executive Orders 10421, 10480, 11490, 11912, 12148.

b. Objective/Program Description. The Resource Management program's focus is to assure adequate resources for military and essential civilian requirements to assure the Nation's defense and security in the face of all emergencies. A major supporting goal is to assure economic stabilization under all emergency conditions. To reach these goals the program develops projects in peacetime to increase the Nation's production capability for critical materials in wartime emergencies; and provides an ongoing system for distribution of available resources as a nucleus for a wartime central resources management system. Plans, standby regulations, emergency organization and procedures provide for economic stabilization in any emergency. A major effort in this program is the development and analysis of Federal Mobilization Master Plan (MOB MAP). This planning document outlines the discrete steps to be taken by the Federal Government (civilian and military) to implement major emergency actions in the context of approved mobilization scenarios,

c. Changes from Original FY 1981 Estimates. The FY 1981 budget estimate did not reflect this level of activity. Funds were included in Resource Preparedness.

d. FY 1982 Activity. Activities of this program are: provision of guidance and coordination of Government planning preparedness for resources management in emergencies; deployment of plans for resource control measures and systems to ensure supply and distribution during an emergency; provision of policy guidance and coordination of the administration of Title I of the Defense Production Act of 1950 as amended, (priorities and allocations), Title III on expansion of productive capacity in all resource areas, and Title VII in industrial voluntary agreements in support of national defense. Guidance and program direction are provided to State and local authorities on the management of resources in time of emergency, including war. The increase of $90,000 will provide for the following additional activities: direct and conduct interagency development and implementation of the Federal Mobilization Master Plan; complete the majority of the activities essential for the maintenance and improvement of the Mobilization Plan; participate in interagency special projects related to emergency economic stabilization; provide for staffing key positions in the Economic Stabilization Agency; improve capability of the Industrial Mobilization Board machine tool trigger order program and industrial security program.

2. National Defense Stockpile Policy

a. Authority. Strategic and Critical Materials Stock Piling Act, as amended; National Security Act of 1947, as amended; Defense Production Act of 1950, as amended; Agricultural Trade, Development and Assistance Act of 1954; Foreign Assistance Act of 1961; Federal Property and Administrative Services Act of 1949, and Executive Orders 10480, 11490, 12148, and 12155.

b. Objective/Program Description: The program is directed to the accomplishment of four overall goals: (1) the identification of national wartime raw material vulnerabilities, (2) the formulation of activitites to correct these vulnerabilities, (3) the effective oversight of these activities, and (4) the effective communication and coordination with Government and industry on raw materials, problems and issues. To support the activities, data are analyzed and stockpile goals are computed for 61 family groups and individual raw materials; improvements are made to the computational methodologies; program recommendations and budget rationale are developed for activities such as the Annual Materials Plan and Defense Production Act projects; information is developed for the Congress; guidance is provided for purchase and storage of stockpile materials; recommendations for Presidential release of stockpile materials are made; and information exchange is maintained with industry and government in the form of (1) semiannual reports to the Congress, and (2) presentations and briefings to U.S. and foreign government and industry officials.

c. Changes from Original FY 1981 Estimates. The FY 1981 budget estimates did not reflect this level of activity. Funds were included in Resource Preparedness.

d. FY 1982 Activity. This program will involve the implementation of the Stockpile Planning Process including activities for the FY 1982, 1983, and 1984 Annual Materials Plans, refinement of data and analytical techniques, needed legislative interface with the Congress, and estimation and analysis of approximately 20 national wartime economic scenarios. The increase of $70,000 will provide for initiation and development of the following: an optimal mobilization scenario in which stockpile choices are one of the decision variables, analysis of interregional impacts of alternative mobilization scenarios and the derivation of materials requirements functions for stockpile materials.

3. Resource Assessment

a. Authority. National Security Act of 1947, as amended; Executive Orders 10480, 10582, 11490, and 12148, and Presidential Directive of May 1, 1979.

b. Objective/Program Description. The Resource Assessment program seeks two principal goals: (1) provision to the Federal Government of a central point for civilian and military resource assessments for all conflicts, and (2) enhancement of U.S. mobilization potential for all conflict contingencies. The program is currently committed to leading the interagency Mobilization Planning Study including: (1) scenario development and policy analysis requiring development of conflict scenarios, major emergency actions, and policy planning and preparedness activities; (2) assessment of U.S. mobilization potential providing an assessment of the mobilization capability and potential of the U.S.; (3) residual capability assessment requiring standby joint FEMA/DOD team support to continuity of government in the event of an actual attack on the U.S.; and (4) analytical tools including the development or improvement of mobilization assessment models used to support the assessment functions.

c. Changes from Original FY 1981 Estimates. The original FY 1981 budget estimates did not reflect this level of activity. Funds were included in Resource Preparedness. This element includes $100,000 which appeared in the original FY 1981 budget as State and Local Preparedness. Appropriations were last enacted for this account in FY 1965 and were to remain available until expended. Due to deobligation of funds in this appropriation, this $100,000 represents a deferral action taken under the provisions of the Anti-Deficiency Act (31 U.S.C. 655), which authorizes the establishment of reserves for contingencies, and under section 1013, P.L. 93-344. The requirement for these funds has been reviewed and is being submitted to OMB to receive approval for obligation in FY 1981. The funds will be utilized to assess public attitudes toward resource mobilization. This information will be used to assist State governments in revising and developing plans for the management of resources in time of emergency.

d. FY 1982 Activity. The Resource Assessment program will continue to lead the interagency Mobilization Planning Study, which is designed to establish a coherent and practical basis for all government mobilization planning. Activities will include: (1) adjustment of Presidentially-approved crisis scenarios, emergency actions and preparedness activities; (2) assessments of U.S. mobilization capabilities to meet a variety of conflict contingencies; (3) development of National policy alternatives to enhance the state of preparedness of the Nation; (4) assessment of the Federal Mobilization Master Plan; and (5) formulation of a conflict oriented National level mobilization model.

The increase of $1,700,000 is directly related to the development and implementation of mobilization policy directives.

4. Program Staff

a. Authority. Legislative authority for this activity is contained in paragraph a of Activities 1, 2 and 3 above.

b. Objective/Program Description. This activity contains the staffing and program support required to accomplish the activities cited in paragraph b of Activities 1, 2 and 3 above.

c. Changes From Original FY 1981 Estimates. The FY 1981 budget estimates did not reflect this level of activity. Funds were included in Resource Preparedness. However, changes affecting the program staff expenses of Resource Preparedness are a decrease of $22,000 for President Carter's March reduction and an increase of $93,000 for the October 1980 pay raise.

d. FY 1982 Activity. This element provides the program staff and miscellaneous support required for all of the activities of Resource Preparedness. An increase of $ 180,000 over FY 1981 will fund the additional staff assigned to this program area.

FEDERAL PREPAREDNESS
(In thousands of dollars)

B. Continuity of Government

Plans and Preparedness	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
National Security Affairs						
Government Preparedness Office		$ 686	$ 1,500			
Program Coordination			(236)			
1. National Security Plans & Policy	21			$ 17	$ 3,882	$ + 3,865
2. National Readiness/Evaluation	21			7	5,825	+ 5,818
3. Contingency Plans/FEMA Readiness	22			9	8	- 1
4. National Defense Executive Reserve	22			2	3	+ 1
5. Program Staff	23			1,691	1,682	- 9
BUDGET AUTHORITY		$ 686	$ 1,500	$ 1,726	$ 11,400	$ + 9,674
BUDGET OUTLAYS		$ 693	$ 1,349	$ 1,565	$ 10,346	
PERMANENT POSITIONS - HEADQUARTERS		15	22	20	20	
- REGIONS		5	9	29	29	
TOTAL WORKYEARS		21	32	49	48	

Changes from Original FY 1981 Estimates
The increase of $226,000 results from:

- o $ - 14,000 President Carter's March reduction
- o + 30,000 October 1980 pay raise
- o + 236,000 From Program Coordination added to Government Preparedness for the new budget activity, Continutity of Government
- - 26,000 President Reagan's March 1981 reduction.
- $ + 226,000 Net Increase

1. National Security Plans and Policy

a. Authority. National Security Act of 1947, as amended, Section 103(b) the Defense Production Act of 1950, as amended, Titles I, III and VII; the Federal Civil Defense Act of 1950, as amended; Executive Order 11490 of 1969, as amended, Sections 102, 103; Executive Order 12148, Section 2, and Presidential Directive 58 of 1980.

b. Objective/Program Description. The objective of this program is to develop non-military plans, policies and procedures for the protection and support of national leadership during an extreme national emergency, and response to and recovery from the full spectrum of emergency situations which conceivably may confront the Nation. National Security Plans and Policy projects provide guidance and assistance to Federal departments and agencies as well as State and local governments concerning the development of emergency plans in support of national emergency goals and objectives.

The planning in this critical program area is an essential element contributing to the implementation of Presidential Directive 58. Coordination with activities under Communications and Warning is required for communications and Automatic Data Processing support, ultimately required for implementation of specific plans. This activity is closely aligned with the Readiness and Evaluation element of the Continuity of Government Programs relative to facilities and agency readiness.

Reviewing changing statutes, coordinating plans such as the Presidential Emergency Action Documents and Federal Emergency Plan D, and conducting liaison with involved agencies are requirements in maintaining the currency of the program.

c. Changes from Original FY 1981 Estimates. The FY 1981 budget estimate did not reflect this level of activity; Funds were included in Government Preparedness.

d. FY 1982 Activity. Prior funds for this activity have been limited to staff and related costs to carry out policy guidance and development requirements of the Continuity of Government program. A major portion of activity in FY 1982 will be geared to the new Continuity of Government policy directed by Presidential Directive 58 in the following areas: improvement of Presidential Successor support planning; studies to determine essential uninterruptible functions (preattack, transattack, and postattack) of departments and agencies; and studies and analyses relative to support services for implementation of the Continuity of Government concept delineated in Presidential Directive 58.

Funds of $3,882,000 in FY 1982, an increase of $3,865,000, will permit this activity to commence studies necessary for implementation of Presidential Directive 58 by the late 1980's.

2. National Readiness Evaluation

a. Authority. National Security Act of 1947, as amended, Section 103(b) Defense Production Act of 1950, as amended, Titles I, III, VII; Federal Civil Defense Act of 1950, as amended; Executive Order 11490 of 1969, as amended by Executive Order 12148 of 1979, Section 2; and Presidential Directive 58 of 1980.

b. Objective/Program Description. National Readiness Evaluation provides for the evaluation and corrective action to improve the national readiness level of Federal departments and agencies. Guidance on readiness self-evaluation and improvement is published annually. The increased activity due to Presidential Directive 58 requires assistance from Regional Offices and Operations Support in the area of facility evaluation and support readiness. Interagency working groups are used to coordinate the development of contractual plans for the identification and selection of alternate facilities and support requirements for the new Continuity of Government policy enunciated in Presidential Directive 58.

This activity is functionally related to Nuclear Civil Protection in

considering concepts for crisis relocation planning efforts.

c. Changes from Original FY 81 Estimates. The FY 1981 budget estimates did not reflect this level of activity. Funds were included in Government Preparedness and Program Coordination.

d. FY 1982 Activities. Primary emphasis in this area will be in support of the implementation of Presidential Directive 58. Readiness Systems activities will be expanded to include facility upgrade as required in support of the Directive. An inventory of existing facilities and support capabilities throughout the Regions will be undertaken. Projects will be started to identify locations and capabilities of some emergency operating centers to be used for random dispersal of successors and their support elements and will include specific recommendations for needed improvements of such centers. Planning assistance will be sought to aid in identifying requirements for equipping of Federal Emergency Operating Facilities. Projects to design, procure and test off-the-shelf communications packages for the Executive Branch which are compatible with existing communications in use for the Presidential Successor program will be undertaken. Additionally, projects will include the identification of requirements for a data base and computer design for Continuity of Government, agency and national readiness.

An increase of $5,818,000 is requested for these efforts.

3. Contingency Plans/FEMA Readiness

a. Authority. National Security Act of 1947, as amended, Section 103(b) Defense Production Act of 1950, as amended, Titles I, III, and VII; Federal Civil Defense Act of 1950, as amended; Executive Order 11490 of 1969, as amended; Executive Order 12148 of 1979, Section 2; and Presidential Directive 58 of 1980.

b. Objective/Program Description. This activity coordinates the planning and preparedness for Federal response to the consequences of terrorism, provides an intelligence service to FEMA, and maintains FEMA's internal emergency readiness capability. This is accomplished through coordination with the intelligence community, and by providing planning guidance to Federal departments and agencies to achieve a coordinated response to consequences of terrorism. Coordination concerning Succession Lists, Central Office Emergency Instructions, as well as government-wide coordination relative to the plans for the Federal Employee Emergency ID Card and the Federal Civil Emergency Actions Guidelist is required.

c. Changes from Original FY 1981 Estimates. The FY 1981 budget estimates did not reflect this level of activity. Funds were included in Government Preparedness.

d. FY 1982 Activities. Program emphasis will be placed on having Federal departments and agencies evaluate the vulnerabilities to terrorism of eight major U.S. resource systems and by developing plans for mitigation and research using funds from FEMA's Mitigation and Research Office as appropriate. A National Plan for Response to the Consequences of Terrorism will be developed followed by regional counterparts to the plan. Planning for visual and photo reconnaissance of the Nation for damage assessment purposes will be undertaken, and FEMA readiness activities will be extended to the Regions requiring development of new readiness actions in response to Presidential Directive 58 requirements.

The levels of effort in FY 1982 is slightly less than FY 1981 by $1,000.

4. National Defense Executive Reserve (NDER)

a. Authority. Section 710(e) of the Defense Production Act of 1950, as amended; Executive Order 11179 of 1964; Section 3008 of Executive Order 11490 of 1969, as amended; and Executive Order 12148 of 1979, Section 2.

b. Objective/Program Description. The NDER is a Government-wide program to recruit business executives and other civilians to serve the Government in key

executive positions during periods of national emergency. The NDER now has about 2300 designated members in twelve units (seven agencies) with an ultimate goal of 4,500 Government wide. FY 1981 initiatives are beginning to achieve this goal through reemphasis of the program with increased attention to publicity, recruiting and training. Recruiting guidance has been implemented and an interagency training plan is currently under development.

Close working relationships exist with agencies having NDER units and with the offices of Resources Management and Operations Support in FEMA.

c. Changes from Original FY 1981 Estimates. The FY 1981 budget estimates did not reflect this level of activity. Funds were included in Government Preparedness .

d. FY 1982 Estimates. Activity in this program will be concentrated on recruiting and training of Reservists and the NDER National Conference to be held in Washington, DC, in March 1982.

A small increase of $1,000 is due to the National Conference costs.

5. Program Staff

a. Changes from Original FY 1981 Estimates. The FY 1981 budget estimate did not reflect this level of activity. Funds were included in Government Preparedness and Program Coordination. The increase in staff and funds is due to combining with "Government Preparedness" the regional portion of "Program Coordination" of the old budget structure into this activity. The net increase of $226,000 occurs from:

$ -	14,000	President Carter's March 1980 reduction.
+	30,000	October 1980 pay raise.
+	236,000	From Program Coordination for the staff assigned from this activity.
-	26,000	President Reagan's March 1981 reduction.
$ +	226,000	Net increase

b. FY 1982 Activity. During FY 1982, the Continuity of Government requires a total combined staffing level of 49 positions for headquarters and regional support in order to carry out its programs.

(1) Headquarters. The headquarters program will devote 20 positions to carry out emergency management policy guidance and direction. This item includes four (4) positions for the Joint Program Office.

(2) Regions. The regional program will devote 29 positions to provide guidance to other Federal agencies and States in all areas of Continuity of Government planning to include; development of regional preparedness plans; participation in exercises and testing of plans; sponsoring of NDER training conferences; conducting inventories of emergency facilities and participation in various studies and analyses relative to support requirements for implementation of the Continuity of Government concept delineated in Presidential Directive 58.

FEDERAL PREPAREDNESS
(In thousands of dollars)

C. Policy Development

	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
Plans and Preparedness						
Research and Systems Development						
Systems Development		($1,519)	($2,110)			
1. Policy Development						
a. Civil Defense	25			$ 2,065	$ 2,550	$ + 485
b. Tests and Exercises	26			0	175	+ 175
c. Comprehensive Emergency Management	26			0	180	+ 180
2. Program Staff	26			0	0	0
BUDGET AUTHORITY		($1,519)	($2,110)	$ 2,065	$2,905	$ + 840
BUDGET OUTLAYS				$ 1,877	$2,638	
PERMANENT POSITIONS - HEADQUARTERS		0	0	0	0	
- REGIONS		0	0	0	0	
TOTAL WORKYEARS		0	0	0	0	

Changes from Original FY 1981 Estimates
This activity, Policy Development, was budgeted in FY 1981 as Systems Development under Mitigation and Research. The decrease of $45,000 is due to the FY 1981 appropriation percentage reduction in PL 96-526.

1. Policy Development

a. Authority. Federal Civil Defense Act of 1950, as amended by Section 702(a), Public Law 96-342, and Executive Order 12148 of July 20, 1979, and National Security Act of 1947, as amended.

b. Objective/Program Description. Policy Development projects are essential to develop, produce, and field test new programs and guidance materials which, when applied in communities throughout the nation, result in improved capabilities for lifesaving under attack conditions or improve the ability of State and local governments to respond to peacetime disasters and emergencies.

Policy Development projects are undertaken based on prior years' research and on needs made evident by field experience. Program packages are developed from the concept state to the point of readiness for field deployment and frequently involve field tests with State and local governments. Policy Development projects are broken into three categories: civil defense, test and exercises, and comprehensive emergency management. Civil defense projects include the areas of nuclear attack civil protection, radiological defense, direction and control, and communications and warning. Tests and exercise projects provide a basis to design and develop FEMA and Federal agency capability to analyze emergency policies, plans, systems, procedures and organization, and evaluate them under exercise conditions, including recommending improvements. Comprehensive emergency management projects develop concepts, policies and guidance for Federal, State, and local governments in areas including Federal-State-local relationships in emergency management, effective response to catastropic events, and comparati e analysis of wartime and peacetime preparedness.

c. Changes from Original FY 1981 Estimates. The FY 1981 budget justification contained an element, "Systems Development" under "Plans and Preparedness, Research and Systems Development." This element is now "Policy Development" in this section of the budget. The original estimate of $2,110,000 is reduced by $45,000 to comply with the percentage reduction of FEMA's Appropriation Act, PL 96-526.

d. FY 1982 Activity. During FY 1982, Policy Development projects will be conducted in the three major areas shown below:

(1) Civil Defense

(a) Nuclear Attack Civil Protection. Projects are expected to included work in field testing a planning guide for crisis production of blast protection for key workers; testing an initial guide for planning crisis action to protect industrial equipment from nuclear attack effects; developing designs for two or three upgrading techniques for emergency operating centers that could be constructed in peacetime or in a one-year rapid buildup period; and developing a guide for improving protection of broadcast stations during a period of increased tension.

(b) RADEF. Projects are expected to include work in field testing a hazardous materials planning guide; developing a concept of operations, special exposure limits and preparedness standards to provide guidance, equipment and training required for postattack operations; and developing a national plan for technological hazards preparedness.

(c) Communications and Warning Projects are expected to include work in developing cost-effective options for protecting broadcast stations by choosing stations in low-risk areas to be protected against fallout, electromagnetic pulse (EMP), and power failure; developing first phase of a design for a mobile low frequency radio warning system; and developing a high frequency mini-loop antenna.

(d) Direction and Control Projects are expected to include work in developing a communications architecture that will be survivable in a mid-1980s attack environment; developing and testing techniques for retrofitting electromagnetic pulse protection into emergency operating centers; developing alternate techniques and procedures for providing financial assistance for direction and control of communications; designing an information system in State and local communications and warning capabilities; developing a reference on financial and technical assistance programs for State and local direction and control communications capabilities; and developing an EMP technical manual for use by Regional staff.

(2) Tests and Exercises

Projects are expected to include the design and development of a capability to analyze FEMA and Federal emergency policies, plans, systems, procedures, and organizations; evaluating these under exercise conditions in exercises REX-82 ALPHA and BRAVO (nuclear attack and mobilization exercises, respectively); and recommend improvements.

(3) Comprehensive Emergency Management

Projects are expected to include work on conducting a comparative analysis study of the related attack and peacetime preparedness and response systems for dual use in emergencies. Based on the five contingency earthquake plans under development, design a integrated, synthesized system from the best elements of each plan for responding to a catastrophic earthquake.

FY 1982 Funding Distribution

Civil Defense	$2,550,000
Nuclear Attack Civil Protection	(714,000)
RADEF	(315,000)
Communications and Warning	(690,000)
Direction and Control	(831,000)
Tests and Exercises	175,000
Comprehensive Emergency Management	180,000
TOTAL	$2,905,000

2. Program Staff

Staffing for Policy Development projects is provided by existing personnel in the FEMA Plans and Preparedness Office, who direct the projects in addition to other duties. Support for such personnel is covered under other program elements.

FEDERAL PREPAREDNESS
(In thousands of dollars)

D. Communications and Warning Policy

	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
Plans and Preparedness						
National Security Affairs						
Program Coordination		($153)	($315)			
1. Development of Policy	28			$ 0	$ 0	$ 0
2. Requirements Development	28			19	18	- 1
3. Facility Standards	29			0	0	0
4. Emergency Broadcast System Oversight	29			0	0	0
5. National Communications Systems Support	30			0	0	0
6. Program Staff	30			296	289	- 7
BUDGET AUTHORITY		($153)	($315)	$ 315	$ 307	$ - 8
BUDGET OUTLAYS		($135)	($280)	$ 286	$ 278	
PERMANENT POSITIONS - HEADQUARTERS		(7)	(7)	7	7	
- REGIONS		(0)	(0)	0	0	
TOTAL WORKYEARS		(7)	(7)	7	7	

Changes from Original FY 1981 Estimates
No change. Funds and staff were budgeted in Program Coordination.

1. Development of Policy

a. Authority. Federal Civil Defense Act of 1950, as amended; National Security Act of 1947, as amended; Presidential Directive 24; Presidential Directive 41; Presidential Directive 42; Presidential Directive 53; Presidential Directive 58, and Executive Order 12148.

b. Objective/Program Description. Communications and Warning Policy addresses Federal level policy development of emergency telecommunications and automatic data processing (ADP) systems.

These systems are required to assure national security and continuity of government operations in a national emergency. Both near and long range policies are studied to provide management direction and guidance to Federal, State and local governments.

c. Changes from Original FY 1981 Estimate. The FY 1981 budget estimate did not reflect this level of activity. Funds were included in Program Coordination. One workyear is devoted to telecommunications and ADP policies.

d. FY 1982 Activities. The staff will interpret, promulgate and provide implementation oversight for Federal Policy for ADP and telecommunications as established by OMB, Department of Commerce, and Presidential Directions. The same level of staff effort is anticipated in FY 1981 and 1982.

2. Requirements Development

a. Authority. Authority is provided in the Federal Civil Defense Act of 1950, as amended; The National Security Act of 1947, as amended; Presidential Directive 24; Presidential Directive 41; Presidential Directive 42; Presidential Directive 53; Presidential Directive 58, and Executive Order 12148.

b. Objective/Program Description. Communications and Warning Policy includes Federal requirements development. The funding for implementation of policy and operation and maintenance of current FEMA communication, warning and automatic data processing systems are identified under the budget activity, Operations Support.

Requirements development includes the identification of operational and technical requirements for information transmission and handling systems to support the policy, programs and operational concepts of FEMA in specific program and functional areas, including continuity of government, direction and control and warning and damage assessment. Development and oversight of the implementation of policies, standards planning and interconnectivity requirements associated with the FEMA telecommunications and ADP programs are provided. Also representation with the broadcast industry and serving as FEMA liaison representatives with other government agencies, Congress, and private industry on broad national telecommunciations and automatic data processing planning issues are provided.

FEMA is continuing studies to determine the essential communications requirements and is developing the communications architecture for the support of continuity of government operations during and after a nuclear attack or natural disaster and the subsequent recovery of the nation.

c. Changes from Original FY 1981 Estimates. The FY 1981 budget estimate did not reflect this level of activity. Funds and staff were included in Program Coordination. Approximately three workyears of effort are expended in the development of near and long range operational requirements for telecommunications and automatic data processing.

d. FY 1982 Activities. Effort will be devoted to:

- Analyze new operational concepts to determine communications and ADP support requirements.

- Analyze existing emergency communications and ADP performance capabilities.

- Perform threat analysis on existing telecommunications and ADP resources.

- Develop technical requirements to describe new and/or modified communication systems.

- Analyze existing emergency satellite performance capabilities.

- Perform threat analysis on existing satellite resources.

3. Facility Standards.

a. Authority. Federal Civil Defense Act of 1950, as amended; National Security Act of 1947, as amended; Presidential Directive 24; Presidential Directive 41; Presidential Directive 42; Presidential Directive 53; Presidential Directive 58, and Executive Order 12148.

b. Objective/Program Description. This program provides for the development and promulgation of the minimum essential telecommunication performance standards and technical requirements for emergency operating facilities. The routine inspection of existing telecommunication facilities to assure they meet the standards is also included. Successful implementation of this program will provide the required facilities to support the Continuity of Government and Civil Defense missions of the agency.

c. Changes from the Original FY 1981 Estimate. The FY 1981 budget estimate did not reflect this level of activity. Funds were included in Program Coordination.

d. FY 1982 Activity. The staff will promulgate facility standards, such as fallout protection factor, EMP protection and communication interface requirements to the Federal department and agencies and to State governments. The emergency operating facilities of all agencies with critical uninterruptable functions will be inspected for adequacy and reports prepared for agency repair and maintenance projects. No changes from FY 1981 to FY 1982 are planned.

4. Emergency Broadcast System (EBS) Oversight

a. Authority. Executive Order 12127; White House Statement of Requirements for Presidential Communications with the General Public During Periods of National Emergency, dated December 10, 1979.

b. Objective/Program Description. During periods of national emergency, reliable communications are required to enable the President to reassure and give direction to the public regarding matters affecting the survival and recovery of the nation. Through the regular testing of the system and the evaluation of the results, it is expected to improve the response time of industry locations responsible for transmission of Presidential messages. Development of an updated White House Statement of Presidential Requirements is anticipated in FY 1981.

c. Changes from Original FY 1981 Estimates. The FY 1981 budget estimates did not reflect this level of activity. Funds were included in Program Coordination.

d. FY 1982 Activities. Planned projects are:

- Plan and conduct four Closed Circuit Tests originating from different locations.

- Evaluate readiness of 25 EBS activation/termination locations nationwide and participate with Federal Communications Commission at industry meetings (NAB and NARB).

No increase in staff is planned in FY 1982.

5. National Communications System (NCS) Support

a. Authority. Presidential Memorandum, subject "Establishment of the National Communications System" dated August 21, 1963; FEMA-NCS Memorandum of Agreement dated April 1, 1980.

b. Program Description. As a major operating agency of the National Communications System, FEMA is obligated to provide staff (technical) support and an agency representative to the NCS. The representative serves as the conduct and point of contact for all interagency telecommunications matters.

c. Changes from Original FY 1981 Estimate. The FY 1981 budget estimate did not reflect this level of activity. Funds were included in Program Coordination. FEMA provides two workyears of technical support and 0.5 workyears of liaison services to NCS.

d. FY 1982 Activities. FEMA provides technical support for:

- Broad based technical studies and analyses with a view toward identifying cost-effective approaches to meeting NCS objectives.

- Evaluation of the effectiveness of the present NCS and identifies the opportunities for improved effectiveness and reduced vulnerability to disruption.

- Management of the Federal Telecommunication Standards Program.

- Development of plans and procedures for the management of Federally owned and leased telecommunication assets during national emergency situations.

- Development of plans and procedures for the management of Federal telecommunications during Presidentially declared disasters and emergencies under the Disaster Relief Act of 1974.

- Development and implementation of plans and procedures for the allocation, reallocations, and restoration of communications facilities and services to authorized users based on approved requirements and priorities. No changes in staff or funds are planned.

6. Program Staff

a. Authority. See paragraphs 1a, 2a, 3a, 4a and 5a above.

b. Objective/Program Description. This activity provides for the personnel and administrative expenses to manage and implement the program activities 1 through 5 above.

c. Changes from Original FY 1981 Estimates. The FY 1981 budget estimate did not reflect this level of activity. Funds were included in Program Coordination.

d. FY 1982 Activity. The staff will manage and implement FY 1982 activities described in activities 1 through 5 with the following allocation of Headquarters professional staff:

- Policy Development	1.0	Workyears
- Requirements Development	2.8	Workyears
- Facility Standards	0.2	Workyears
- EBS Oversight	0.5	Workyears
- NCS Support	2.5	Workyears

FEDERAL PREPAREDNESS
(In thousands of dollars)

E. Tests and Exercises

	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
Plans and Preparedness						
National Security Affairs						
Program Coordination		($389)	($539)			
1. Program Staff	32			$ 461	$ 328	$ - 133
BUDGET AUTHORITY		($389)	($539)	$ 461	$ 328	$ - 133
BUDGET OUTLAYS		($346)	($480)	$ 414	$ 280	
PERMANENT POSITIONS - HEADQUARTERS		(5)	(8)	8	8	
- REGIONS		(8)	(10)	-	-	
TOTAL WORKYEARS		(13)	(18)	8	8	

Changes from Original FY 1981 Estimates

This activity reflects a net decrease of $78,000 due to President Reagan's March 1981 reduction. Funds and staff were budgeted in Program Coordination.

1. Program Staff

a. Authority. Executive Order 12148, Sections 2-102 and 2-201(c); Executive Order 11490, as amended, Sections 102(b), 3001(2)(3), 3002(1) and 3009; and Presidential Directives 57 and 58.

b. Objective/Program Description. The objective of the Test and Exercise program is to create conditions under which Federal Departments and agencies, regions, and State and local governments can exercise and test emergency plans, procedures, systems and people. The critiques, evaluations, and assessments of these tests and exercises help to determine the quality and effectiveness of the complete range of emergency programs to better ensure a civil emergency readiness capability to respond to crisis situations. To accompish these objectives, exercises are conducted in the areas of nuclear attack, national mobilization, NATO emergency planning, Presidential successor dispersal, Presidental support, continuity of government, nuclear weapons accidents and regional emergency planning. A five year exercise schedule is maintained by FEMA for long range planning. Since exercises are used to evaluate a broad range of emergency plans, they impact many program areas within the government and serve as a quality control measure for emergency planning.

c. Changes from Original FY 1981 Estimates. The FY 1981 budget estimates did not reflect this level of activity. Funds for this staff are from Program coordination reflecting a net decrease of $78,000 due to President Reagan's March 1981 reduction.

d. FY 1982 Activity. The funds required in FY 1982 provide for salaries and expenses for headquarters and regional personnel to accomplish the following:

- Manage the overall national and regional civil exercise programs.

- Plan and conduct one national/regional joint civil/military nuclear attack exercise (REX-82 ALPHA).

- Plan and conduct one national/regional joint civil/military mobilization exercise (REX-82 BRAVO).

- Plan and manage U.S. Civil participation in a NATO high level exercise (HILEX-10).

- Participate in planning for a nuclear weapons accident exercise in 1983 (NUWAX-83), at national and regional level.

- Plan and conduct FEMA Headquarters semi-annual internal readiness exercises to orient FEMA national and regional emergency cadres.

- Provide orientation for national and regional department and agency emergency cadres through exercise participation.

- Brief all presidential successors on dispersal and locator reporting procedures and responsibilities.

- At least quarterly, exercise the Presidential Successor Dispersal Plans.

- Test and evaluate, monthly, the central locator system for presidental successors.

- Conduct two joint Presidential and Presidential Successor Emergency Support Exercises to include regions, if appropriate.

- Continue testing and contribute to the development of the Joint Emergency Evacuation Plan (JEEP) to provide for emergency dispersal of senior government officials.

- Continue testing and contribute to development of the Joint Air Transportation System (JATS) to support emergency operating facilities when activated.

- Develop, upgrade and exercise emergency actions procedures to provide the civil government quick response to emergency situations.

FEDERAL PREPAREDNESS
(In thousands of dollars)

F. Program Coordination

PROGRAM HIGHLIGHTS	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
Plans and Preparedness						
National Security Affairs						
Program Coordination		$ 1,844	$ 1,806			
1. Program Coordination	35			$ 767	$ 0 a/	$ - 767
BUDGET AUTHORITY		$ 1,844	$ 1,806	$ 767	0	$ - 767
BUDGET OUTLAYS		$ 1,862	$ 1,624	$ 696		
PERMANENT POSITIONS - HEADQUARTERS		25	42	26	0	
- REGIONS		18	30	0	0	
TOTAL WORKYEARS		46	76	27	0	

Changes from Original FY 1981 Estimates

$ - 16,000	President Carter's March 1980 reduction
+ 75,000	October 1980 pay raise
- 1,090,000	To other elements of Federal Preparedness
- 8,000	President Reagan's March 1981 reduction
$ - 1,039,000	Net decrease

a/ Some of this activity is included in the Hazard Mitigation and Disaster Assistance appropriation in FY 1982 under Management and Administration as Office of the Director, International Affairs and Program Analysis and Evaluation; the remainder is assigned to other elements within Federal Preparedness.

F. Program Coordination

a. Authority. The National Security Act of 1947, as amended, Reorganization Plan No. 3 of 1978 and Executive Order 12127 of March 31, 1979, provides authority for the elements of this section.

b. Objective/Program Description. This activity funds the Office of the Director of the Agency, the International Affairs staff, the Program Analysis and Evaluation staff, and thirty regional positions.

c. Changes from Original FY 1981 Estimates. The original estimate of $1,806,000 was adjusted by a decrease of $16,000 in President Carter's March 1980 reduction, an increase of $75,000 for the October 1980 pay raise, a decrease of $1,090,000 to other elements of Federal Preparedness, and a decrease of $8,000 for President Reagan's March 1981 reduction, resulting in a net decrease of $1,039,000.

d. FY 1982 Activity. In FY 1982, these elements are budgeted in the Hazard Mitigation and Disaster Assistance Appropriation under the section, Management and Administration.

Emergency Planning, Preparedness and Mobilization
Federal Preparedness
Object Classes
(In thousands of dollars)

Direct Obligations

Code	Object Class	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982
	Personnel compensation:				
11.1	Permanent positions	$ 3,148	$ 3,867	$ 4,637	$ 4,299
11.3	Positions other than permanent	10	46	65	65
11.5	Other personnel compensation	-	-	-	-
	Total personnel compensation	$ 3,158	$ 3,913	$ 4,702	$ 4,364
	Personnel benefits:				
12.1	Civilian	300	374	436	402
21.0	Travel and transportation of persons	96	99	89	106
21.1	Interagency motor pool	-	-	-	-
22.0	Transportation of things	-	-	-	-
23.1	Standard level user charge	12	162	162	-
23.2	Comm., utilities & other rent.	-	-	-	-
24.0	Printing and reproduction	10	32	32	66
25.0	Other services	883	986	2,344	12,575
26.0	Supplies and materials	3	3	3	3
31.0	Equipment	5	17	17	15
32.0	Lands and structures	-	-	-	1,500
41.0	Grants, subsidies, and contributions	-	-	-	400
42.0	Insurance claims and indemnities	-	-	-	-
43.0	Interest and dividends	-	-	-	-
99.0	Total direct obligations	$ 4,467	$ 5,586	$ 7,785	$19,431

Mitigation and Research

This program is designed to increase the capability of the United States to predict, prevent, and respond to emergencies and disasters, and to recover from their impact. The primary areas of concern are: (a) intentionally produced emergencies and disasters such as terrorism or thermonuclear war; (b) natural or geophysical disasters such as earthquakes, hurricanes, or other severe storms; (c) catastrophic failure in key network and distribution systems such as electric power blackouts; and, (d) technology-induced hazards such as explosions or the release of toxic materials. Major activity areas are:

- Research Applications, in which policies and programs are developed to assure that users participate in the establishment of research priorities and that the results of research are widely disseminated;

- Natural Hazards Research, in which efforts are undertaken to develop knowledge required for implementation of mitigation programs which can reduce casualties, damage and social and economic disruption from natural hazards, and under which FEMA's responsibilities in the National Earthquake Hazards Reduction Program are administered;

- Technological Hazards Research, in which activities similar to those described above are undertaken as regards manmade hazards, including coordination of the National Dam Safety Program;

- Systems Analysis and Integration, in which studies and analyses are conducted to assess the state of the art in areas of interest to FEMA and the identification of gaps in knowledge as an aid to future studies' definition; and,

- National Security Research, in which assessments of future threats from nuclear war to radiological emergencies are undertaken to examine their implications for civil emergency preparedness.

MITIGATION AND RESEARCH
(In thousands of dollars)

SUMMARY OF BUDGET ESTIMATES

I. Summary of Budget Request

PROGRAM HIGHLIGHTS PROGRAM LEVEL	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
Plans and Preparedness, Research and Systems Development						
Research and Mitigation		$5,235	$7,644			
Systems Development		1,519	2,110			
Program Staff		1,190	1,488			
A. Natural Hazards Research	41			$1,052	$ 5,095	$+ 4,043
B. National Security Research	48			6,794	6,513	- 281
C. Research Applications	56			580	399	- 181
D. Systems Analysis and Integration	61			201	187	- 14
E. Technological Hazards	64			418	660	+ 242
BUDGET AUTHORITY		$7,944	$11,242	$9,045	$12,854	$+ 3,809
BUDGET OUTLAYS		$8,023	$10,117	$8,220	$11,665	
PERMANENT POSITIONS - HEADQUARTERS		26	28	31	31	
- REGIONS		0	0	6	6	
TOTAL WORKYEARS		40	40	42	40	

II. Changes from Original FY 1981 Estimates

This budget activity reflects a net decrease of $2,197,000 due to:

o	$ - 101,000	President Carter's March reduction
o	- 95,000	FY 1981 Appropriation percentage reduction
o	+ 81,000	October 1980 pay raise
o	- 2,065,000	Systems Development funds to Federal Preparedness, Policy Development.
o	- 17,000	President Reagan's March 1981 reduction
	$ - 2,197,000	Net Decrease

There are numerous emergencies and disasters which occur or hazards which threaten the United States each year. There are an estimated 60,000 dams in the United States which are believed to be unsafe and which pose a significant threat to life and property in widespread areas of the country. Over 1,000 abandoned major hazardous materials dumps pose potentially grave public health and safety threats to citizens throughout the United States. Over 8,000 people are killed in fires each year. If a major earthquake strikes in California, damages could run as high as $50 - $80 billion with extensive loss of life. There is the continual threat to life and property from hurricanes, floods, tornadoes, and other severe storms, as well as the potential for thermonuclear war or lesser types of armed conflict.

The goal of mitigation & research activities is to increase the capability of the United States to predict, prevent, and respond to emergencies and disasters, and to recover from their impact. This is accomplished through the development of knowledge and technical bases required for the implementation of mitigation programs which can reduce casualties, suffering, physical damage, and economic disruption and foster recovery processes from a broad spectrum of disasters, emergencies, and other hazards. These include:

- intentionally produced emergencies and disasters, including those resulting from peactime acts of terrorism, sabotage, vandalism, blackmail, or thermonuclear war;

- natural or geophysical disasters such as earthquakes, hurricanes, tornadoes, floods, and other severe storms;

- catastrophic failures in key network and distribution systems such as electric power blackouts or the disruption of other public utility or transportation systems;

- technology induced hazards such as urban and industrial fires, large-scale explosions, or the release of toxic, chemically reactive, or radioactive materials in populous areas.

The goal of mitigation & research activities for each of the hazard agents or emergency conditions concerned is accomplished through the following methods:

- conducting problem definition studies and analyses on the extent of emergency conditions, hazard agents, and their impact, and on the state of the existing knowledge and the institutional response to them in order to identify research and technology development requirements;

- conducting system studies and analyses to identify the technical, management, institutional, and other issues which affect hazard mitigation and emergency management;

- monitoring environmental, economic, scientific, and international developments to develop early indicators of potentially threatening hazardous conditions;

- collecting, analyzing, synthesizing, and disseminating information on hazard mitigation and emergency management by developing the means by which the emergency management community can express knowledge needs for research planning purposes;

- developing a heightened capacity in the user and research communities for utilizing and generating relevant knowledge and techniques, providing technical information in response to immediate needs or in terms of the on-going development, and in the distribution of tailored information packages;

- supporting problem-focused research on methods and techniques by defining, assessing, and controlling as possible the nature of current and future threats of enemy attack to the population and industrial base of the United States;

- identifying, predicting, and measuring the nature and extent of hazard exposure and impacts, controlling or altering hazard phenomena, and hastening recovery from them;

- maintaining contact with relevant non-FEMA agencies or groups to ensure maximum coordination of program activities;

- assessing and evaluating the mitigation and research activities of other Federal agencies, identifying gaps or overlaps, making recommendations to the agencies, or taking necessary actions to meet identified high priority needs; and,

- fulfilling assigned responsibilities for the coordination of the National Earthquake Hazards Reduction Program and the Federal Dam Safety Program.

The activities in the areas of National Security Research, Research Applications, and Systems Analysis & Integration are accomplished largely through research efforts, while the activities of the Natural Hazards Research and Technological Hazards Research areas are more operational in nature because of the coordinative nature of the programs involved.

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MITIGATION AND RESEARCH
(In thousands of dollars)

A. Natural Hazards Research

	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
Plans and Preparedness, Research and Systems Development						
Research and Mitigation		($ 327) a/	($ 374) c/			
Program Staff		($ 211) b/	($ 403) d/			
1. Earthquake Hazards	43			$ 200 e/	$ 4,300	$+ 4,100
2. Other Natural Hazards	46			174	100	- 74
3. Program Staff	47			678	695	+ 17
BUDGET AUTHORITY		($ 538)	($ 777)	$1,052	$ 5,095	$+ 4,043
BUDGET OUTLAYS		($ 534)	($ 632)	$ 954	$ 4,628	
PERMANENT POSITIONS - HEADQUARTERS		(3)	(10)	10	10	
- REGIONS		(0)	(6)	6	6	
TOTAL WORKYEARS		(7)	(13)	21	19	

Changes from Original FY 1981 Estimates
The FY 1981 original estimate did not reflect this level of activity. The staff and funds budgeted under Research and Systems Development have been distributed among this and four other elements under Mitigation and Research. The increase of $275,000 is for the additional staff assigned to this element for the earthquake hazards reduction program and for the October 1980 pay raise, including decrease of $5,000 for President Reagan's March 1981 reduction.

a/ Total of this item is $5,235 thousand
b/ Total of this item is $1,190 thousand
c/ Total of this item is $7,644 thousand
d/ Total of this item is $1,488 thousand
e/ $500 thousand budgeted in FY 1981 for earthquake hazard reduction in the Hazard Mitigation and Disaster Assistance appropriation under Insurance and Mitigation will also be used for this program.

A. Natural Hazards Research

The goal of this program is to develop the knowledge needed for activities that will reduce the casualties, physical damage, and social and economic disruption from natural hazards. Included in this program are FEMA's responsibilities under the National Earthquake Hazards Reduction Program mandated by P.L. 95-124 and subsequent legislation.

Natural hazards losses are continuing to escalate. Between the years 1970 and 2000, annual losses are expected to increase from $8 billion to $18 billion in constant 1970 dollars. Such losses substantially exceed annual health insurance premiums, auto liability insurance costs, and the operating costs of police and fire departments. A large portion of this loss will occur to buildings, as noted in the following table:

EXPECTED ANNUAL BUILDING LOSSES THROUGH NATURAL DISASTERS

Projected Bldg. Damage in the Year 2000 in 1970 Dollars	Building Damage Increase - 1970 to the Year 2000	% of Population Exposed	Type of Hazard
$2.1 billion	215%	89%	Tornado
1.7 billion	230%	31%	Hurricane Wind
1.6 billion	15%	12%	Riverine Flood
1.2 billion	260%	5%	Storm Surge
1.2 billion	99%	70%	Earthquake
1.0 billion	25%	48%	Expansive Soils
.9 billion	133%	41%	Landslide

A recent analysis indicates that a single expected catastrophic earthquake of the type likely to occur in California could easily cause over $20 billion in property damage and over 10,000 deaths. Such losses are larger by far than any disaster to have impacted the U.S. historically. As these figures and the above-projected increases in building damage by the year 2,000 indicate, losses from natural hazards are likely to become an issue of substantial national interest in the coming years.Many studies indicate the potential for economically decreasing such losses. While there are several programs within Federal agencies directed at portions of natural hazards impacts reduction, there are no systematic programs addressing mitigation strategies and development. This Program is directed to develop such techniques for all natural hazards in ways that are appropriate for application by both public and private sectors. Seven distinct approaches will be developed as appropriate for use alone or in combination to mitigate the effects of natural disasters:

- Approaches which involve measures to minimize the probability of hazard occurrences (abatement) and/or to protect areas and building sites from the hazards (area protection). Actions which are intended to minimize the runoff of heavy rain waters are illustrative of the former, while the construction of dams and levees are illustrative of the latter.

- Approaches which focus on the strengthening of buildings exposed to hazards or which focus on site level systems for protecting buildings from such hazards. Small levees around structures and floodplains are illustrative of the latter, while use of shear panels to protect frame buildings from earthquake vibrations are illustrative of the former.

- Approaches which give attention to site-development schemes for protecting structures from hazards. Suggestive of this approach is use of more appropriate grading practices to protect against landslides, and the use of soil stabilization methods to limit the shrink-swell behavior of potentially building-damaging soils.

- Loss recovery, relief, and community rehabilitation approaches. Illustrative are floodplain insurance programs and the low-interest loans authorized by the Disaster Relief Act of 1974.

- Hazard warning and population evacuation systems, such as those employed to deal with approaching hurricanes or riverine flooding.

- Approaches which provide policy makers with the information and decision-assisting goals which facilitate rational and effective hazard management decision making.

Within the context of these hazards and the type of loss reduction adjustments that can be developed, the Natural Hazards Reduction Program has the following objectives:

- monitor the environment, economic and social conditions, and science and technology developments to identify early indicators of potentially hazardous conditions;

- collect, analyze, synthesize, and disseminate information on hazards and their mitigation;

- support problem-focused research on methods and techniques to: (a) identify, predict, and measure the nature and extent of hazard exposure and impact; (b) control or alter hazard phenomena; and (c) limit impacts of hazard occurrences;

- coordinate Federal research and mitigation activities;

- manage and conduct the National Earthquake Hazards Reduction Program; and,

- assess and evaluate the mitigation and research activities of other Federal agencies, identify gaps or overlaps, and recommend actions to those agencies. In some cases, FEMA itself may be required to take action to meet identified high-priority needs.

The Natural Hazards Research Program is organized into two major subprograms, the National Earthquake Hazards Reduction Program and the Other Natural Hazards Program.

1. Earthquake Hazards Reduction Program

a. Authority. The Earthquake Hazards Reduction Act of 1977 (PL 95-124) as amended by PL 96-472, the Disaster Relief Act of 1974 (PL 93-288), Executive Order 12148, and Presidential direction resulting from the National Earthquake Hazards Reduction Program and the National Security Council Study of "An Assessment of the Consequences and Preparedness for a Catastrophic California Earthquake: Findings and Actions Taken."

b. Objective/Program Description. The goal of the National Earthquake Hazards Reduction Program and of FEMA's program is "to reduce the risk to life and property from future earthquakes in the United States." FEMA has the primary responsibility for the conduct and management of Federal agency activities to implement earthquake hazards reduction and preparedness programs. Other agencies and departments are to support FEMA and incorporate earthquake hazards reduction policies and actions into their ongoing programs. Research activities that support this program are conducted principally by the National Science Foundation and the United States Geological Survey, although FEMA conducts specific research studies in support of its operational responsibilities.

The National Program provides the basis for integrated activities of Federal departments and agencies to ensure that such activities enhance earthquake safety. It entails the full range of management and programmatic assignments, including the establishment of research objectives, mitigation programs, and

resource allocations to achieve the overall Federal goal and its subsidiary objectives. In addition, the program provides for identification of the appropriate roles of the various Federal agencies, State and local governments, voluntary agencies, business, and the public. The program addresses specific procedures for the incorporation of earthquake hazards reduction activities into the ongoing programs of Federal agencies. The program is periodically reviewed by all interested parties to ensure that it incorporates current public needs and the latest scientific developments in research and implementation plans and activities. Such reviews include representatives of State and local governments, the public, business, design professions, and the research community. Based upon periodic review and assessment, FEMA is responsible for the recommendation to the President of changes in goals, priorities, budgets, and mitigation strategies for each applicable Federal agency and department.

The objectives of the National Earthquake Hazards Reduction Program for which FEMA is responsible are:

- Lead, plan, and coordinate the National Earthquake Hazards Reduction Program.

- Improve the capability of all levels of government and the public to respond to an earthquake and/or prediction of an earthquake.

- Develop, promulgate, and encourage the application of specifications, buildings standards, design criteria, and construction practices to achieve appropriate earthquake resistance for new and existing structures within the Federal and private building communities.

- Develop mechanisms for including earthquake hazards reduction activities in Federal, State, and local governmental policies and programs.

- Develop and disseminate information and knowledge useful in mitigating earthquake hazards.

- Provide emergency and recovery assistance when earthquakes occur or are predicted and State and local resources are insufficient to respond.

- Coordinate a comprehensive program of research and development for earthquake prediction and hazard mitigation and conduct mission oriented research as required.

- Prepare and foster State and local preparedness plans to respond to earthquakes in the remainder of the country. Priority will be given to northern California, Puget Sound, Anchorage and environs, the Charleston, South Carolina area, and upper New York State.

- Disseminate to the public earthquake predictions and warnings, including recommendations for actions to save life and property.

- Assess the social, economic, and national security impacts and implications of a catastrophic earthquake in California.

- Provide leadership for, chair, and support the Federal Interagency Committee on Seismic Safety in Construction to:

  - develop seismic design and construction standards for Federal projects;

  - develop guidelines to ensure serviceability of vital facilities constructed or financed by the Federal Government following an earthquake; and,

  - develop guidelines that provide for independent and State and local review of seismic considerations in the construction of critical facilities built and financed by the Federal Government.

- Develop a strategy to identify existing Federal buildings and other structures that pose unacceptable earthquake-related risks.

- Promote the development of seismic safety provisions suitable for use throughout the United States.

- Recommend, encourage, and promote the adoption of appropriate seismic safety provisions in voluntary standards and model codes.

- Assess implementation progress by Federal, State, and local regulatory and construction agencies, identify opportunities for the improvement of seismic regulations and practices, and encourage public and private organizations to effect such improvements.

- Periodically review and evaluate research findings, practices, and experiences and make recommendations for incorporating them into seismic design practices.

- Develop guidelines and procedures for the consideration of seismic risks in private sector land use and capital improvement programs.

- Develop mechanisms for including earthquake hazards reduction activities in Federal, State, and local governmental policies and programs.

- Develop and disseminate information and knowledge useful in mitigating earthquake hazards.

- Provide emergency and recovery assistance when earthquakes occur or are predicted and State and local resources are insufficient to respond.

- Coordinate a comprehensive program of rsearch and development for earthquake prediction and hazard mitigation and conduct mission oriented research as required.

These activities will ensure that FEMA discharges its assigned responsibilities and that the basic structure of the National Earthquake Hazards Reduction Program is complete.

c. Changes from Original FY 1981 Estimates. The original budget request for FY 1981 did not reflect a breakout of funds at this level of activity. A total of $200 thousand of the research funds in this appropriation is planned for earthquake hazards reduction, while $500 thousand budgeted under Insurance and Mitigation of the Hazard Mitigation and Disaster Assistance appropriation will also be used for this purpose.

d. FY 1982 Activity. Continued emphasis will be placed on enhancing Federal, State, and local preparedness to respond to a catastrophic earthquake in southern California and the improvement of building practices in the public and private sectors. Program activities will be substantially increased by undertaking and, in some cases, continuing the following tasks.

- Recommend to the President the goals, priorities, roles, responsibilities, target dates, and budgets for implementation for each appropriate Federal department, agency, and entity with respect to each element of the program.

- Prepare and maintain a written program plan for the management, research, mitigation, and State assistance elements of the National Earthquake Hazards Reduction Program, including the roles of different levels of government, voluntary organizations, and the private sector.

- Periodically review and evaluate plans, programs, and activities considered individually and in their entirety by assembled and adequately staffed groups of representatives from State and local governments, representatives of business and industry, the design professions, and the research community.

- Submit an annual report to the President for transmission to the Congress describing the status of the program and evaluating program achievements during the previous fiscal year.

- Foster the exchange of knowledge and experience within the international community.

- Develop Federal and foster State and local preparedness plans to respond to potential catastrophic southern California earthquakes, including the possibility of their prediction.

- Assess opportunities and develop potential options for the incorporation of earthquake hazards reduction into ongoing public and private programs and actions.

- Prepare materials on seismic safety for use by public decision-makers, the building community and general public and undertake their dissemination.

- Ensure the rapid availability of Federal assistance in the event of a catastrophic earthquake.

- Develop guidelines and procedures for post-earthquake mitigation plans.

- Develop policies and procedures for the provision of Federal assistance following a scientifically validated earthquake prediction.

- Develop guidelines and policies to ensure that Federal assistance for long-term recovery is sound.

The funds requested, $4,300 thousand, an increase of $4,100 thousand, for these activities will ensure that FEMA discharges each of its assigned responsibilities and that the basic structure of the National Earthquake Hazards Reduction Program is complete. This will bring the operating level of this program to viable standards in accordance with Congressional intent contained in PL 95-124 and subsequent legislation.

2. Other Natural Hazards.

a. Authority. Public Law 96-472, Title III, Multihazard Research, Planning, and Mitigation; the Disaster Relief Act of 1974; the Flood Prevention and Control Act of 1974; and, Executive Orders 11988 and 11990 concerning Floodplain Management and Protection of Wetlands.

b. Objective/Program Description. This program is responsible for the conduct of research and mitigation activities for all natural hazards, other than earthquakes, including: floods; droughts; volcanoes; wind storms; hurricanes; tornadoes; landslides; and, subsidence. Its goal is to develop the knowledge required for the implementation of mitigation actions which can reduce the casualties, damage, and social and economic disruption caused by such hazards. Specific objectives are to:

- monitor the environment and sciences to develop early indicators of potentially hazardous conditions;

- collect, analyze, synthesize, and disseminate information on hazards mitigation;

- support problem-focused research on methods and techniques to: identify, predict, and measure the nature and extent of hazard exposure and impacts; control or alter hazard phenomena; and, limit the impacts of hazard occurrences.

The Associate Director for Mitigation and Research is the FEMA Environmental Officer. This program provides technical and administrative support to the Associate Director for the review of FEMA environmental statements and issuances with environmental implications to ensure compliance with applicable laws and sound environmental practices.

In addition to the knowledge application activities integral to the Other Natural Hazards Program, close coordination is maintained with the Research Applications Program for the diffusion of research information.

c. Changes from Original 1981 Estimates. The original budget estimate for FY 1981 did not reflect funds at this level of activity. A total of $174 thousand of the research budget is planned for hazards other than earthquakes in FY 1981.

d. FY 1982 Activity. An initiative will be undertaken this fiscal year to plan and conduct a major national effort to improve building standards and practices for mitigation of natural hazards, with particular emphasis on extreme winds (tornadoes, hurricanes) and floods. Current practices within the building community to design, construct, and operate buildings to withstand natural hazards do not adequately reflect either the state-of-research knowledge or the experience gained in recent disasters. Substantial opportunities exist to improve both the safety and economy of buildings to withstand these hazards. The large-scale effort underway in the development and improvement of earthquake resistant building practices and standards indicates a substantial capacity and willingness of the design profession, State and local government, industry, and researchers to participate and lead efforts for such improvement.

This initiative will provide the means for planning and managing these voluntary resources and initiate the long-term effort to substantially revise and improve the existing natural hazards aspects of building codes, standards, and practices. The process will be initiated by the formation of representative technical committees which will be charged with analyzing current practices and standards. Following review, proposed design provisions will be tested through application in typical design situations. After evaluation, revised provisions and practices will be recommended to model code and standards organizations and State and local governments.

Other Natural Hazards funds are decreased by $74 thousand in FY 1982 to place emphasis on earthquake hazards reduction.

3. Program Staff

a. Changes from Original FY 1981 Estimates. This level of activity was not reflected in the original estimates. Staff and funds budgeted under Research and Systems Development have been distributed to this and four other research elements. The increase in costs and workyears is attributable to the increased emphasis placed on earthquake hazards reduction of $246 thousand plus $34 thousand for the October 1980 pay raise less President Reagan's March 1981 reduction of $5 thousand.

b. FY 1982 Activity. The increase of $17 thousand will be used for staff support expenses.

MITIGATION AND RESEARCH
(In thousands of dollars)

B. National Security Research

	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
Plans and Preparedness, Research and Systems Development						
Research and Mitigation		($4,107) a/	($6,517) c/			
Program Staff		($ 512) b/	($ 762) d/			
1. General National Security Issues	49			$ 1,280	$ 1,325	$ + 45
2. Weapon Effects	51			1,969	1,511	- 458
3. Nuclear Hazards	52			440	469	+ 29
4. Population Protection Measures	53			1,940	2,005	+ 65
5. Industry Protection Measures	54			737	737	0
6. Program Staff	55			428	466	+ 38
BUDGET AUTHORITY		($4,619)	($7,279)	$ 6,794	$ 6,513	$ - 281
BUDGET OUTLAYS		($4,748)	($6,520)	$ 6,180	$ 5,913	
PERMANENT POSTIIONS - HEADQUARTERS		13	14	11	11	
- REGIONS		0	0	0	0	
TOTAL WORKYEARS		18	18	10	10	

Changes from Original FY 81 Estimates
The FY 1981 original estimate did not reflect this level of activity. The decrease in funds and staff allows for a distribution of same to four other elements under Mitigation and Research offset by an increase of $27,000 for the October 1980 pay raise. Reduction of $4 thousand for President Reagan's March 1981 reduction.

a/ Total of this item is $5,235 thousand
b/ Total of this item is $1,190 thousand
c/ Total of this item is $7,644 thousand
d/ Total of this item is $1,488 thousand

B. National Security Research

The goals of this program are to furnish the technical basis for planning a program to: provide maximum in-place protection for the population in the event of a short warning nuclear attack; protect the population when relocated during a crisis period away from areas of high risk from both nuclear attack and nuclear incidents; protect the key personnel who must operate in high risk areas in a crisis period; reduce the vulnerability of industry to nuclear attack; and enhance recovery from nuclear attack.

The objectives of this program are to provide the United States with an assessment of the threat of nuclear attack and its impact on civil defense programs and on potential policies and programs to mitigate the effects of attack. The specific objectives of this program are to:

- Provide the technical base needed for the development of FEMA programs to protect the population and reduce the vulnerability of industry from the effects of nuclear attack;

- Provide technical support to FEMA activities relating to the protection of key facilities including emergency operating centers and industral and other special facilities;

- Develop scientific and technical information in support of FEMA's responsibilities and activities relating to nuclear incidents, including radiation exposure criteria for populations at risk and appropriate mitigation measures; and

- Define and examine potential problems of post-attack recovery following nuclear attack and develop concepts for their mitigation.

1. General National Security Issues

a. Authority. The legislative authority applicable to all projects in the National Security Research Program is Sec. 201, Federal Civil Defense Act of 1950, as amended, 50 USC app. 2281. Additional authority derives from (1) Presidential Decision No. 41, September 1978, (2) Reorganization Plan No. 3, September 19, 1978 (43 FR 41943), and Executive Orders 12127, March 31, 1979 (44 FR 19367) and 12148, July 15, 1979 (44 FR 43239).

b. Objective/Program Description. The objectives of this subprogram are to develop and maintain a coherent body of doctrine on U.S. and Soviet civil defense activities, including net capabilities in the changing environment of possible arms limitation agreements and other international policy considerations and developing strategic attack postures. This body of information and analyses will provide FEMA with a solid basis for making future decisions on the scope and direction of U.S. civil defense research and preparedness. The specific objectives of this sub-program are to:

- Provide FEMA with forward looking assessment of the threat of nuclear attack, including the impact of attack on present civil defense programs and concepts and on potential policies and programs to mitigate the effects;

- Utilize unclassified sources to examine Soviet civil defense programs for concepts or technologies which could be applied to U.S. programs and provide data on Soviet programs for use in FEMA activities;

- Define and examine potential problems or constraints to recovery from nuclear attack and concepts for their mitigation;

- Define and examine problems attendant to a potential protracted attack and possible actions to mitigate the effects of such attacks;

- Provide assessment of the technical and economic feasibility of applying advanced technology to civil defense communication problems; and

- Provide for support of FEMA-related interests and activities by nationally recognized scientific and technical groups.

c. Changes from Original FY 1981 Estimates. The original budget estimates did not reflect a breakout of funds at this level of activity. The current estimate is reduced from the original level due to two reductions in the appropriations. - President Carter's, March 1980 reduction and the appropriation percentage reduction.

d. FY 1982 Activity. Activities to be continued or initiated within this subprogram are as follows:

- Maintain continuing assessment of the impact on U.S. civil defense programs of the changing technological nature and extent of the Soviet capability to threaten the U.S. population and industrial complex;

- Continue comprehensive studies on conceptual linkages between complex aspects of the problems of continuity of government from the National Command Authorities to the State and local levels;

- Apply analytic methodologies to the continued evaluation of the role and effectiveness of potential civil defense policies and programs;

- Continue the determination of the role stockpiles can play in national survival and recovery following nuclear attack if the present U.S. stockpile policy is broadened to go beyond conventional war requirements and include finished materials as well as raw materials;

- Continue to evaluate Soviet civil defense using open Soviet literature and other available sources to study issues related to the objectives and strategic role of Soviet civil defense, the rate of growth of the programs, and the Soviet stockpiling program as it relates to civil defense;

- Use model methodology developed for dynamic simulation of the postattack economy to evaluate national postattack economic viability under various attack scenarios;

- Pursue the analysis of weak links in the ability of U.S. industry to recover from nuclear attack, and possible mitigation techniques for these weak links;

- Analyze industries critical to national recovery from nuclear attack and develop the capability to assess industrial damage to them;

- Evaluate the limiting factors of all types which may determine the feasible time-frame limits for continued national viability under conditions of protracted attack;

- Define and evaluate concepts of application of advances in communication and data processing/transmission technology to emergency operations;

- Continue support for FEMA-related activities of nationally and internationally recognized professional scientific and technical advisory groups; and,

- Support a continuing program to provide for FEMA, other Federal agencies, and extra-government groups with evaluated assessments of technical information appropriate to their needs;

In addition to the knowledge application activities integral to the National Security program, close coordination is maintained with the Research Applications Program for the diffusion of research information.

The increase of $45 thousand is due to the reduction in the FY 1981 estimates.

2. Weapons Effects

a. Authority. The legislative authority applicable to all projects in the National Security Research Program is Sec. 201, Federal Civil Defense Act of 1950, as amended, 50 USC app. 2281. Additional authority derives from (1) Presidential Decision No. 41, September 1978, (2) Reorganization Plan No. 3, September 19, 1978 (43 FR 41943), and Executive Orders 12127, March 31, 1979 (44 FR 19367) and 12148, July 15, 1979 (44 FR 43239).

b. Objective/Program Description. The objective of this subprogram is to provide a better understanding of the attack environment under conditions of nuclear war. It is the environment against which and within which civil defense plans must be developed and implemented. In the absence of weapon tests, simulation theory and experimental validation are utilized to assess the impact of weapon effects. Specific objectives of this subprogram are to:

- Develop analytical functions for estimating the effects on personnel, equipment and structures of the hazards of nuclear weapons and other high radiation producing events;

- Validate and demonstrate concepts of hardening and equipment performance through experimental laboratory tests; and when the opportunity arises;

- Test and demonstrate civil protection designs and equipment performance in Department of Defense high-explosive field tests.

c. Changes from Original FY 1981 Estimates. The FY 1981 original budget estimates did not reflect a breakout of funds at this level of activity.

d. FY 1982 Activity. Activities to be continued or initiated within this subprogram are as follows:

- Complete initial development of a theory of blast/fire interaction;

- Initiate the design of a fast-running computer model of blast/fire interaction and fire spread for application in strategic casualty prediction studies;

- Perform shock tube studies of blast/fire interactions, suggested by theoretical studies, to verify and calibrate the prediction theories;

- Evaluate, statistically, existing public shelter structures for blast debris production and its distribution when subjected to blast effects;

- Continue formulation and development of a systematic analytical approach to evaluating personnel survivability in a blast/fire environment;

- Determine damage functions for expedient shelters constructed both in existing buildings and apart from them;

- Determine damage functions appropriate for nuclear incidents resulting from terrorism, human error, or other causes and involving nuclear weapons, reactors, or other sources of high level nuclear radiation;

- Develop blast and radiation damage functions for existing and planned emergency operations centers;

- Determine damage functions for blast shelters of various designs and hardness levels;

- Develop damage functions for emergency services, mobile equipment and essential facilities including police, fire, utilities and debris removal.

In addition to knowledge application activities integral to the National Security Program, close coordination is maintained with the Research Applications Program for the diffusion of research information.

The reduction of $458 thousand in this research element allows funds for higher priority items.

3. Nuclear Hazards

a. Authority. The legislative authority applicable to all projects in the National Security Research Program is Sec. 201, Federal Civil Defense Act of 1950, as amended, 50 USC app. 2281. Additional authority derives from (1) Presidential Decision No. 41, September 1978, (2) Reorganization Plan No. 3, September 19, 1978 (43 FR 41943), and Executive Orders 12127, March 31, 1979 (44 FR 19367) and 12148, July 15, 1979 (44 FR 43239).

b. Objective/Program Description. The objective of this subprogram is to provide scientific and technical support for FEMA responsibilities and activities that require radiation exposure criteria. This is accomplished by developing concepts to contain, control or otherwise mitigate radiation hazards. Events of concern include: transient and residual radiation from nuclear attack, reactor accidents or other non-routine radiation exposure incidents and certain, high priority events, such as terrorist use of devices. Specific objectives are to:

- Provide scientific and technical support toward FEMA responsibilities and activities relating to terrorist use of nuclear devices and nuclear accidents;

- Provide technical support of FEMA activities requiring radiation exposure criteria for assessment of the radiation hazards of nuclear attack, reactor accidents or other non-routine radiation exposure incidents;

- Provide technical support to FEMA activities relating to high-priority nuclear incidents, such as terrorist use of nuclear devices; and

- Develop concepts to contain or otherwise mitigate the consequences that would result from terrorist use of nuclear devices.

c. Changes from Original FY 1981 Estimates. The original budget estimate for FY 1981 did not reflect this level of activity. Appropriation reductions affected all items of research.

d. FY 1982 Activity. Activities to be continued or initiated within this subprogram are as follows:

- Complete development of a simplified engineering method for estimating the initial nuclear radiation protection of civil defense and special purpose shelters;

- Estimate the possible consequences of selected nuclear incidents, such as terrorist use of a nuclear device or other nuclear materials; and

- In coordination with appropriate Federal agencies, assess and develop radiation exposure criteria and radioprotective measures applicable in a wide range of nuclear related incidents from peacetime emergencies to nuclear attack.

In addition to knowledge application activities integral to the National Security Program, close coordination is maintained with the Research Applications Program for diffusion of research information.

The increase in FY 1982 of $29 thousand is due partly to a decrease in the FY 1981 activity and an increase in the FY 1982 activity.

4. Population Protection Measures

a. Authority. The legislative authority applicable to all projects in the National Security Research Program is Sec. 201, Federal Civil Defense Act of 1950, as amended, 50 USC app. 2281. Additional authority derives from (1) Presidential Decision No. 41, September 1978, (2) Reorganization Plan No. 3, September 19, 1978 (43 FR 41943), and Executive Orders 12127, March 31, 1979 (44 FR 43239).

b. Objective/Program Description. The objective of this subprogram is to develop the technical base for National programs to protect the population from the effects of nuclear attack. This is accomplished through conceptual development and validation of both physical protection (shelter concepts) and relocation from risk areas. Specific objectives are to:

- Provide support to FEMA civil defense activities through concepualization, design and development of analytical techniques to evaluate program options, assess damage and examine relocation problems;

- Evaluate need, availability and adequacy of appropriate civil protection data bases;

- Develop the technical base for FEMA programs to protect the population from the effects of nuclear attack through definition, conceptual development and validation of both physical protection and relocation from risk areas;

- Define and examine conceptual solutions to problems of crisis management operations and apply advanced technological concepts to feasible options; and

- Define and examine the problems of and provide options for mitigating the effects of limited ventilation in congregate shelter and special facilities, including expedient shelters.

c. Changes from Original FY 1981 Estimates. The original budget estimate for FY 1981 did not reflect this level of activity.

d. FY 1982 Activity. Activities that will be continued or initiated within this subprogram are as follows:

- Enhance the computerized casualty assessment model used for analysis of strategic civil defense program options;

- Validate additional shelter options, develop improved structural analytical methods and identify additional techniques of shelter development in support of FEMA's population protection programs;

- Explore the feasibility of incorporating protection against nuclear weapon effects in new energy conservation programs;

- Document the costs of incorporating blast and fallout protection in below-ground space of conventional structures;

- Continue to identify and develop an inventory of mines and other existing underground shelter;

- Continue the development of techniques for upgrading blast and fallout protection in existing buildings;

- Continue to develop emergency management planning concepts in support of Crisis Relocation Planning, including: the identification of the community organizations, validation of public safety planning and establishment of communications and warning requirements;

- Continue studies and analysis of natural disasters as a basis for formulating an all-hazard orientation and development of training programs and content to diffuse the knowledge gained to the emergency management staff at all levels;

- Building on past work, continue to develop the technical basis for organizational relocation;

- Develop planning concepts in support of reception area government;

- Develop and test exercises and plans for mobilization during periods of crisis;

- Evaluate ventilation procedures for densely occupied shelters and develop modified air flow techniques to improve unacceptable conditions; and

- Formulate State-of-the-Art studies into a general shelter/management system.

In addition to the knowledge application activities integral to the National Security Program, close coordination is maintained with the Research Applications Program for the diffusion of research information.

The increase of $65 thousand will be used toward these objectives.

5. Industry Protection Measures

a. Authority. The legislative authority applicable to all projects in the National Security Research Program is Sec. 201, Federal Civil Defense Act of 1950, as amended, 50 USC app. 2281. Additional authority derives from (1) Presidential Decision No. 41, September 1978, (2) Reorganization Plan No. 3, September 19, 1978 (43 FR 41943), and Executive Orders 12127, March 31, 1979 (44 FR 19367) and 12148, July 15, 1979 (44 FR 43239).

b. Objective/Program Description. The objectives of this subprogram are to define the problems and explore, develop and test concepts and optional procedures to enhance protection of industrial and key workers deemed critical to the nation's continued operation under crisis relocation and recovery after a nuclear attack. Specific objectives are to:

- Provide technical support to FEMA activities relating to hardening of emergency operating centers, schools, industrial facilities, and other special facilities through design, test and evaluation of hardening concepts against blast, fire and radiation effects of nuclear weapons; and

- Define the problems, and explore, develop, evaluate and test concepts of optional procedures to enhance postattack recovery of industries vital to the nation's economy.

c. Changes from Original FY 1981 Estimates. The original budget estimate for FY 1981 did not reflect this level of activity.

d. FY 1982 Activity. Activities that will be continued or initiated within this subprogram are as follows:

- Develop key worker protection and industrial relocation concepts;

- Test key worker protection and industrial hardening concepts;

- Design and develop slanting concepts for incorporating blast, fallout and fire protection in special facilities, including: emergency operating centers, schools, industries, storage facilities and conventional buildings;

- Evaluate and test protective design concepts for special facilities;

- Develop a handbook of industrial protection concepts for use by industry;

- Demonstrate and test industrial protection concepts;

- Develop crisis relocation plans for heavy equipment utilization, including a catalogue of equipment similarities across industries for multipurpose usage;

- Compile a critical inventory list for stockpiling, including specific protection designs and community industry data packages showing the location and types of resources available; and

- In addition to the knowledge application activities integral to the National Security program, close coordination is maintained with the Applications activity for the diffusion of research information.

There is no change from the current budget estimate.

6. Program Staff

a. Change from Original FY 1981 Estimate

The FY 1981 budget estimate did not reflect this level of activity. A decrease of 8 workyears causes this item to be reduced in the current estimate in staff and funds.

b. FY 1982 Activity

An increase of $38 thousand in FY 1982 will be used for staff support expenses.

MITIGATION AND RESEARCH
(In thousands of dollars)

C. Research Applications

	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
Plans and Preparedness, Research and Systems Development						
Research and Mitigation		($508) a/	($358) c/			
Program Staff		(207) b/	(201) d/			
1. Special Utilization Activities	57			$ 58	$ 24	$ - 34
2. Needs Determination and Capacity Building.	58			150	100	- 50
3. Search, Retrieval, and Dissemination	59			150	100	- 50
4. Program Staff	60			222	175	- 47
BUDGET AUTHORITY		($715)	($559)	$ 580	$ 399	$ - 181
BUDGET OUTLAYS		($700)	($502)	$ 525	$ 358	
PERMANENT POSITIONS - HEADQUARTERS		6	7	6	5	
- REGIONS		0	0	0	0	
TOTAL WORKYEARS		7	6	6	5	

Changes from Original FY 1981 Estimate
The FY 1981 budget estimate did not reflect this level of activity. Funds and staff have been distributed to this and four other elements under Mitigation and Research. The increase of $21,000 is for costs associated with the October 1980 pay raise and is net of President Reagan's March reduction of $8,000.

a/ Total of this item is $5,235 thousand
b/ Total of this item is $1,190 thousand
c/ Total of this item is $7,644 thousand
d/ Total of this item is $1,488 thousand

C. Research Applications

The objective of this program is to: identify research needs, obtain relevant technical information; package and make available meaningful and useful knowledge; assist potential private and public sector users in developing their ability to participate in the applied research process; and, foster consideration and application of research outputs to the betterment of agency policies of operations.

The underlying principle around which all Mitigation and Research activities are constructed is the application of research outputs to emergency managment policy making and operations. This principle is reflected both in the units administering research and related activities, i.e., National Security Research, Natural Hazards Research, and in the Research Applications area itself. Every effort is made to ensure that the research and related activities of Mitigation and Research are not undertaken in the pattern of some Federal research programs in which investments are made on the basis of proposals emanating from researchers with little or no relevance to the needs of appropriate user communities. The issue of cost-effective research investments is a complex one which requires continuing attention to strong user interactions.

Effective applied research planning must start with an assessment of the needs of policy makers and operating officials. Research Applications works with other components in:

- the identification of key user needs;

- the development and implementation of innovative methods for assessing user needs;

- the involvement of users in the planning, conduct, and assessment of technical activities; and,

- the design and implementation of linkage systems between the user and the knowledge generation systems.

FEMA is working to identify and obtain in a systematic way technical information which can be used to respond to both the ad hoc problems arising in the emergency management community and the continuing general knowledge needs in support of policy development and operational planning. Research Applications identifies sources, establishes linkages, and synthesizes knowledge into packages for use throughout the emergency management system.

1. Special Utilization Activities

a. Authority. The Flood Prevention and Control Act of 1974; portions of the Disaster Relief Act of 1974, Public Law 93-288; the Earthquake Hazards Reduction Act of 1977; the Federal Civil Defense Act of 1950, as amended; the Housing and Urban Development Act of 1968; the Defense Production Act of 1950; the Fire Prevention and Control Act of 1974, as amended; the Flood Disaster Protection Act of 1973; the National Security Act of 1947, as amended; Reorganization Plan No. 3, September 19, 1978 (43 FR 41943); and, Executive Orders 12127, March 31, 1979 (44 FR 19367) and 12148, July 15, 1979 (44 FR 43239).

b. Objective/Program Description. This activity involves the development and implementation of activities which accomplish the detailed knowledge-assembling arrangements and processes necessary to move bodies of knowledge into emergency management policy making and operations. The specific goals of the program are:

- to synthesize information formats which are tailored to specific audience requirements;

- to conduct symposia and workshops designed to consider new findings and applications opportunities, together with interactions among a range of users and researchers; and,

- to ensure close collaboration between Mitigation and Research activities and other elements of FEMA to develop special utilization thrusts pertinent to their requirements.

These objectives are achieved through:

- the development of state-of-the art syntheses of research findings in selected fields, i.e., earth-covered structures, shelter/lodging management, crisis/non-crisis behavior comparisons, reception and care, response to warnings;

- an interactive research symposium series;

- a research presentation series; and,

- other approaches designed to bring knowledge users and generators together.

Special emphasis has been placed upon the development of close working relationships with the Training and Education Program in FEMA to ensure the maximum impact of newly emerging knowledge upon curricula and other Training and Education activities.

c. Changes from Original FY 1981 Estimates. The original budget estimate for FY 1981 did not reflect this level of activity.

d. FY 1982 Activity. The reduction of one workyear in the Needs Determination and Capacity Building in FY 1981, with a two-slot reduction in FY 1982, will have a significant impact on the undertaking of activities in this area in FY 1982 since a doubling of assignments will have to be accomplished. Given the staff limitations resulting from the reduction in workyears, the following represents the planned continuation of thrusts initiated in the earlier year:

- the Interactive Research Symposium series;

- a series of research presentations;

- a series of discussions on the implications of national survey data to FEMA policies and plans;

- conceptualization of public education programs;

- synthesis and application of knowledge relating to shelter and lodging management into crisis expectant delivery modes; and,

- further development of the linkage between Mitigation and Research Program knowledge outputs and the Training and Education Program.

2. Needs Determination and Capacity Building

a. Authority. The Flood Prevention and Control Act of 1974; portions of the Disaster Relief Act of 1974, Public Law 93-288; the Earthquake Hazards Reduction Act of 1977; the Federal Civil Defense Act of 1950, as amended; the Housing and Urban Development Act of 1968; the Defense Production Act of 1950; the Fire Prevention and Control Act of 1974, as amended; the Flood Disaster Protection Act of 1973; the National Security Act of 1947, as amended; Reorganization Plan No. 3, September 19, 1978 (43 FR 41943); and, Executive Orders 12127, March 31, 1979 (44 FR 19367) and 12148, July 15, 1979 (44 FR 43239).

b. Objective/Program Description. The objective of this program is to increase the knowledge and operational capability of public and private sector groups to utilize technical information and to undertake mitigation and response activities. The specific objectives of this Program are to:

- maintain existing contacts with the research community while seeking to ascertain areas where more emphasis is necessary;

- exploit new opportunities for maintaining and expanding interfaces with State and local government public interest groups; and,

- conduct exploratory activities to identify new means and linkages to expand interfaces with voluntary agencies and with the business (industrial/commercial) community.

These objectives will be achieved by the development and conduct of activities designed to define in more detail the nature of public and private sector institutions involved in emergency management activities that would profit from receiving new knowledge and innovative approaches. Particular emphasis will be paid to the development of close working relationships with the State and local emergency management communities and policy officials and managers at those levels. This activity is related to all other FEMA program activities since it deals with the knowledge needs of all relevant users.

c. Changes from Original FY 1981 Estimates. The original budget estimate for FY 1981 did not reflect this level of activity.

d. FY 1982 Activity. Program activity in FY 1981 and FY 1982 will be affected by staff reductions. Since this is an important new developmental activity which is getting underway in FY 1981, activities in FY 1982, given the staff reductions, will represent a more limited effort than that initiated in the earlier year. The following thrusts are planned for FY 1982; however, fulfillment of these initiatives will be dependent upon staff limitations:

- the conduct of a series of meetings and other interfaces with FEMA and outside communities to determine research needs;

- maintenance of linkages with the Intergovernmental Science, Engineering Advisory Panel, local government innovation networks, and State Executive and Legislative Branch science and technology systems;

- partial support to selected information clearinghouses;

- increased emphasis upon the linkage of private industry and business; and,

- follow-through on the conclusions of the study currently underway in the National Academy of Sciences/National Research Council on the role of science and technology in emergency management.

3. Search, Retrieval, and Dissemination

a. Authority. The Flood Prevention and Control Act of 1974; portions of the Disaster Relief Act of 1974, Public Law 93-288; the Earthquake Hazards Reduction Act of 1977; the Federal Civil Defense Act of 1950, as amended; the Housing and Urban Development Act of 1968; the Defense Production Act of 1950; the Fire Prevention and Control Act of 1974, as amended; the Flood Disaster Protection Act of 1973; the National Security Act of 1947, as amended; Reorganization Plan No. 3, September 19, 1978 (43 FR 41943); and, Executive Orders 12127, March 31, 1979 (44 FR 19367) and 12148, July 15, 1979 (44 FR 43239).

b. Objective/Program Description. This objective of this Program is to develop scientific and technological information packages in response to specific requests. The specific goals of the Program are:

- to obtain scientific and technological information in response to specifically identified needs within the emergency management community;

- to arrange for systematic and continuing access to a broad spectrum of scientific and technological resource bases and package and disseminate information to key audiences in emergency management and related areas;

- to accumulate, analyze, and present needs for additional scientific and technological information to the research and technical information communities; and,

- to arrange for technical assistance to FEMA staff in a range of substantive areas.

These objectives will be achieved through the identification of sources of technological information in other Federal agencies and elsewhere, and the establishment of procedures for obtaining quick answers and/or technical assistance in emergency situations. A primary source for such information and assistance will be the Federal Laboratory Consortium. The Headquarters/Regional response system is being continued, as is the development of a series of technically based public releases for use in emergency situations such as droughts, floods, winter storms, etc. Special attention is being paid to the investigation of existing computerized technical information data bases. This activity is related to all other FEMA elements since it deals with the knowledge needs of all relevant users.

c. Changes from Original FY 1981 Estimates. The original budget estimate for FY 1981 did not reflect this level of activity.

d. FY 1982 Activity. No significant changes in program activity are projected between FY 1981 and FY 1982. Since this is an important new developmental activity which is getting underway in FY 1981, activities undertaken in FY 1982, given a comparable level of resources, will represent essentially a continuation of thrusts begun in the earlier year. These thrusts will include:

- maintenance and operation of the systematic and continuing linkages between FEMA and the technical information outputs of other emergency management-related Federal agencies and others;

- increased concentration on the identification of technologies existent in Federal labs and their application;

- preparation of hazards awareness program technical issuances;

- continuing the one-stop service for making available expertise in a range of technical areas to FEMA headquarters and regional units; and,

- the conduct of ongoing relationships on behalf of FEMA with the meteorological community.

4. Program Staff.

a. Changes from Original FY 1981 Estimates. The decrease of $8 thousand in the FY 1981 current estimate is due to the reduction of one (1) employee in the Needs Determination and Capacity Building Program. Efforts in this area are continuing through the doubling of assignments; however, the net impact of the reduction means that efforts to develop a viable program to increase the knowledge and operational capability of public and private sector groups to utilize technical information and to undertake mitigation and response activities will be limited. The impact of the reduction is also being felt in the Special Utilization Activities Program since the reduction in the Need Determination and Capacity Building Program are being assumed in the area of Special Utilization Activities. Given the small staff size at the present time, particularly in view of the magnitude of the effort in the area of Research Applications, this reduction will result in certain limitations on the performance of some of the thrusts initiated in FY 1981.

b. FY 1982 Activity. A decrease of one workyear covers a decrease of funds in FY 1982. The impact on FY 1982 by the reduction of one position will be reflected by a limitation on the accomplishment of efforts in the areas of Needs Determination and Capacity Building and Special Utilization Activities. This will have a resultant impact on the development of a viable Research Applications Program.

MITIGATION AND RESEARCH
(In thousands of dollars)

D. Systems Analysis and Integration

	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1981 vs 1982
Plans and Preparedness, Research and Systems Development						
Research and Mitigation		($ 58) a/	($159) c/			
Program Staff		(68) b/	(40) d/			
1. Systems Analysis and Integration	62			$ 159	$ 128	$ - 31
2. Program Staff	63			42	59	+ 17
BUDGET AUTHORITY		($126)	($199)	$ 201	$ 187	$ - 14
BUDGET OUTLAYS		($123)	($178)	$ 182	$ 169	
PERMANENT POSITIONS - HEADQUARTERS		1	1	1	2	
- REGIONS						
TOTAL WORKYEARS		2	1	1	2	

Changes from Original FY 1981 Estimate
This level of activity was not reflected in the original budget. The staff and funds budgeted under Research and Systems Development have been distributed to this and four other elements of research activity. The increase is for the October 1980 pay raise of $2,000.00

a/ Total of this item is $5,235 thousand
b/ Total of this item is $1,190 thousand
c/ Total of this item is $7,644 thousand
d/ Total of this item is $1,488 thousand

D. Systems Analysis and Integration

1. Systems Analysis and Integration

a. Authority. P.L. 96-472, Title III, Multihazard Research, Planning and Mitigation; the Federal Civil Defense Act of 1950, as amended; the Defense Production Act of 1950; the National Security Act of 1947, as amended; Reorganization Plan No. 3, September 19, 1978 (43 FR 41943), and Executive Orders 12127, March 31, 1979 (44 FR 19367) and 12148, July 15, 1979 (44 FR 43239).

b. Objective/Program Description. The goal of this program is to contribute systematically to the development of the knowledge required for the implementation of mitigation actions which can reduce the casualties, damage, and social and economic disruptions caused by all forms of peacetime and wartime disasters. The major specific objectives of this program include:

- problem definition studies on the extent of hazards and their impacts; on the state of existing knowledge and the institutional response to hazards; and, to identify research and technology development requirements;

- system studies and analyses to identify the technical, management, institutional, and other issues which affect hazard mitigation and emergency management;

- support of problem-focused research on hazard mitigation and emergency management issues which cross-cuts several hazards in such areas as: social, administrative, political, legal, intergovernmental, and environmental issues; economic impacts of emergencies and disasters; special patterns of behavior under emergency conditions; decision processes in emergencies; and, evaluation of emergency response activities;

- support of research on the impacts of intentionally produced and catastrophic failure of key network, distribution, public utility, and transportation systems;

- maintaining contact with relevant non-Federal and private sector groups to ensure the maximum coordination of program activities; and,

- assessing and evaluating the mitigation and research activities of other Federal agencies, identifying gaps or overlaps, and recommending corrective action to these agencies, including initiation of actions by FEMA to meet identified high-priority needs.

Specifically, studies will be organized to: study the economic, political, and legal incentives and disincentives to correct or eliminate existing hazardous conditions, including the availability of public and private financing; assess the impact of mitigation measures on public and private attitudes and practices; evaluate the effectiveness of regulations, e.g., building codes, land-use controls, occupancies, to achieve given levels of hazard protection; examine those aspects of emergency management programs which affect the attitudes of individual citizens, insitutions, elites, and decison makers and which determine how they will act to protect themselves and recover from hazardous events; assess, on a local, State, and regional basis, the key natural and technological hazards threatening populated areas; study the methods to increase the awareness of citizens to potential emergencies; initiate research on cost-effectiveness analyses of alternative natural and technological hazards mitigation plans and policy options, and on the feasibility of the removal, reinforcement, or relocation of hazardous facilities, or relocation of key industrial and economic resources to lower hazard sites; and to perform in-depth analyses and management studies of critical systems, e.g., electric power, communications, medical care, and transportation, including the possibility of terrorist activities.

In addition to the knowledge application activities integral to the Systems Analysis and Integration Program, close coordination is maintained with the Research Applications Program for the diffusion of research information.

c. Changes from Original FY 1981 Estimates. The original FY 1981 budget request did not reflect this level of activity.

d. FY 1982 Activity. An initiative will be undertaken to develop improved warning capabilities to notify affected persons and institutions of impending danger and to inform them of actions which they can take to protect themselves and their property. Recent research supported by the National Science Foundation indicates that existent warning systems are not nearly as effective as they could be, and also indicate potential avenues for systematic improvement. This program will analyze warning requirements for all types of natural, technological and wartime hazards covered by FEMA missions, develop a series of options for meeting these warning requirements, applying the latest techniques in all related disciplines, and synthesize a system that takes advantage of these commonalities. This will represent initiation of a two-year effort.

2. Program Staff

a. Changes from Original FY 1981 Estimates. This level of activity was not reflected in the original.

b. FY 1982 Activity. An increase of one position and one workyear is planned for the staff work involved in this initiative.

MITIGATION AND RESEARCH
(In thousands of dollars)

E. Technological Hazards Research

	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1981 vs 1982
Plans and Preparedness, Research and Systems Development						
Research and Mitigation		($ 235) a/	($ 236) c/			
Program Staff		(192) b/	(82) d/			
1. Dam Safety	66			$ 100 e/	$ 300	$ + 200
2. Other Technological Hazards	67			136	188	+ 52
3. Program Staff	69			182	172	- 10
BUDGET AUTHORITY		($ 427)	($ 318)	$ 418	$ 660	$ + 242
BUDGET OUTLAYS		($ 418)	($ 285)	$ 379	$ 597	
PERMANENT POSITIONS - HEADQUARTERS		3	3	3	3	
- REGIONS						
TOTAL WORKYEARS		6	2	4	4	

Changes from Original FY 1981 Estimates
The FY 1981 estimates did not reflect this level of activity. Funds and staff budgeted under Research and Mitigation were distributed to this and four other elements of Mitigation and Research. The increase of $100,000 is to fund two additional workyears - personnel compensation and associated expenses - and the October 1980 pay raise of $8,000.00

a/ Total of this item is $5,235 thousand
b/ Total of this item is $1,190 thousand
c/ Total of this item is $7,644 thousand
d/ Total of this item is $1,488 thousand
e/ $500 thousand budgeted in FY 1981 for dam safety activities in the Hazard Mitigation and Disaster Assistance appropriations under Insurance and Mitigation will be used for this program.

E. Technological Hazards Research

The goal of this program is to develop the knowledge needed for activities that will reduce the casualties, physical damage, and social and economic disruption from technological hazards. Included in this program are FEMA's responsibilities under the National Dam Safety Program assigned to the Agency by Executive Order 12148.

Technological hazards are defined to include those undesirable events, other than natural disasters or socially induced events, which, when they occur, pose substantial threats to life and property. The program specifically addresses problems posed by the failure of public works, particularly dams and levees, fire, and the release of hazardous materials, and the occurrence of accidents and explosions.

The collapse of the large Grand Teton and the small Toccoa dams are graphic reminders of the significant potential damage and life loss posed by dam failure. Analysis of Corps of Engineers' data suggest that as many as 27 percent of the 60,000 or more substantial dams in the country are unsafe, either because of inadequate design, inoperative flood gates, inadequate spill ways, degradation of materials, or because of faulty design.

According to the best estimates, approximately 25,000 miles of levees and flood walls have been constructed in the United States for the purpose of protecting urban and agricultural acreage from flooding. As their regular failure indicates, many are unstable and susceptible to overtopping when floodwater levels exceed the levee's crest, subject to interior flooding, may fail when other structures collapse, e.g., roadways, or are in inadequate repair. The recent levee collapse problems in the Sacramento River Delta are indicative of the types of problems faced nationally as in-place levees become older.

The national extent of problems posed by fires has been well documented in the United States Fire Administration budget request. The Technological Hazards Research Program interest in fire relates to fire as a concomitant hazard to other technological or natural events.

Thousands of chemicals and materials have been identified as posing health and safety risks. Most of these hazardous materials are integral to our commerce. Their manufacture, storage, transport, use, and disposal present numerous opportunities to trigger hazardous materials emergencies. While many agencies are concerned with hazardous materials issues, few are concerned with hazardous materials emergency management. This Program is concerned with developing mitigation strategies and emergency response procedures to reduce the public health and safety threats from the release of hazardous materials, whether it is from an intended release, an unintended spill, the discovery of a known hazardous condition, or the discovery of a new threat.

With respect to the foregoing, the Technological Hazards Research Program will be aimed at the following objectives:

- monitor the environment, economic and social conditions, and science and technology development to identify early indicators of potentially hazardous conditions that could lead to: large-scale explosions; the release of toxic, chemically reactive, or radioactive materials; urban or industrial fires; and, structural failures or accidents;

- collect, analyze, synthesize, and disseminate information on these types of hazards and their mitigation;

- support problem-focused research on methods and techniques to: (a) identify, predict, and measure the nature and extent of hazard exposure and impact; (b) control or alter hazard phenomena; and (c) to limit impacts of hazard occurrences;

- coordinate Federal research and mitigation activities;

- assess and evaluate the mitigation and research activities of other Federal agencies, identify gaps or overlaps, and recommend actions to those agencies. In some cases, FEMA itself may be required to take action to meet identified high-priority needs;

- identify appropriate FEMA roles and policies regarding hazardous materials emergency problems;

- manage the National Dam Safety Program, including the Federal Interagency Committee on Dam Safety and its six subcommittees; and,

- develop standards and guidance for upgrading the safety of non-Federal dams.

The Technological Hazards Research Program is organized into two major sub-programs, the Dam Safety Program, and the Other Technological Hazards Program.

1. Dam Safety Program

a. Authority. Presidential Assignments under the National Dam Safety Program; Federal Guidelines for Dam Safety; Executive Order 12148; and PL 96-472, Title III, Multihazard Research, Planning and Mitigation.

b. Objective/Program Description. The goal of the National Dam Safety Program is to reduce the risk to life and property from dam failures. FEMA has been designated as the responsible agency for "...coordinating Federal efforts to promote dam safety."

Transfer of Federal dam safety coordination activities from the Office of Science and Technology Policy (OSTP) to FEMA took place in July 1979 following a comprehensive review of Federal dam safety procedures which the President initiated in April 1977. Results of this two-year Federal interagency and independent panel review process revealed generally sound Federal dam safety procedures, but showed that there remain gaps and deficiencies where agency attention should be focused. A major product of the review was the preparation, in June 1979, of Federal Guidelines for Dam Safety by an ad hoc interagency committee of the Federal Coordinating Council for Science, Engineering and Technology (FCCSET). The purpose of the Guidelines is to provide management guidance to 17 Federal agencies and bureaus involved in the design, construction, operation, and regulation of dams, ensuring the use of the best current technology in the development of new dams, and in the safety evaluation of existing dams. In October 1979, the President, upon the recommendation of OSTP, OMB, and the Executive Office of Domestic Affairs and Policy, directed each Federal agency head responsible for dams to adopt and implement the Federal Guidelines.

Except for the on-going Corps of Engineers' Inspection of Non-Federal Dams Program, which will end in September 1981, there has been little significant Federal work on programs to ensure the protection of lives and property from unsafe non-Federal dams. OSTP recommended in July 1979, and FEMA concurred, that FEMA provide the "focal point" for developing programs to ensure effective and long-term dam safety programs by States.

The objectives of the National Dam Safety Program for which FEMA is responsible are:

- Coordinate and monitor Federal programs, policies, and activities, including research, to ensure Federal dam safety. A major component of this activity involves reviewing agency compliance with the new Federal Guidelines for Dam Safety.

- Develop a technical basis for helping State and local governments, owners, business, and practicing engineers to design, construct, maintain, and operate safe non-Federal dams and take the lead toward defining an appropriate Federal role in private dam safety in such issues as the development of emergency actions plans, training, and the development of technical guidelines.

Eight major Federal Departments and Agencies, representing 17 units of government, are responsible for some part of dam development, regulation, or support. Together, these agencies are responsible for safe operation and maintenance of over 3,000 Federally owned dams and for the licensing, regulating, financing, or assistance of over 60,000 private dams. Until FEMA was formed, no single Federal agency was charged with continuing responsibility to plan and coordinate the overall Federal dam safety program carried out by these 17 operating agencies. FEMA coordinates these agencies through informal contacts with their dam safety officers and through established mechanisms with their representatives to the newly formed Interagency Committee on Dam Safety (ICODS), chaired by FEMA's Chief, Federal Dam Safety.

In addition to the knowledge application activities integral to the Dam Safety Program, close coordination is maintained with the Research Applications Program for the diffusion of research information.

c. Changes from Original FY 1981 Estimate. The original FY 1981 budget estimate did not reflect this level of activity. Funds and staff have been distributed to programs within the research element.

d. FY 1982 Activity. During FY 1982, specific activities will be undertaken to:

- Coordinate Federal agencies' programs to ensure effective dam safety procedures and compliance with the Federal Guidelines for Dam Safety.

- Review agencies' activities in dam safety, evaluate their effectiveness, and recommend improvement in their programs.

- Chair the Federal Interagency Committee on Dam Safety. ICODS has established six work task subcommittees comprised of dozens of technical experts for helping to research common Federal agency problems and developing technical and adminstration applications for use by Federal agencies.

- Conduct a study to assess methods that can be used to encourage and/or assist public and private owners of unsafe dams in upgrading their facilities.

- Initiate the coordination and development of a nationally applicable dam safety practice manual for the design, construction, operation, maintenance, and inspection of dams. No such process or procedure currently exists to ensure adequate practices for each of these aspects of dam safety.

- Support a limited number of dam safety conferences and seminars designed to inform local officials, designers, and constructors of the latest dam safety developments.

The increase of $200 thousand in FY 1982 over FY 1981 will continue the Dam Safety Program furthering the above activities. In FY 1981, $500 thousand budgeted in Insurance and Mitigation of the Hazard Mitigation and Disaster Assistance appropriation for dam safety will also be used for this program.

2. Other Technological Hazards

a. Authority. Public Law 96-472, Title III, Multihazard Research, Planning and Mitigation; and, the Disaster Relief Act of 1974.

b. Objective/Program Description. This Program is responsible for the conduct of research and mitigation activities for all technological hazards other than dam safety, including levee safety, and accidents of all kinds involving hazardous materials. Current activities are restricted to the area of hazardous materials, especially chemicals in commerce.

The manufacture, storage, transportation, use, and disposal of hazardous materials present a bewildering array of potential public health and safety problems caused by their deliberate or inadvertent release, environmental transport and modification, or accumulation. As used here, the term "hazardous material" denotes any natural, processed or man-made material, chemical or chemical mixture which has a toxic, explosive or deleterious impact on public health or safety. Emergency is used in the sense of a sudden, urgent, usually unforeseen occurrence or occasion requiring immediate action.

Hazardous materials emergencies can be characterized as resulting from three generic types of triggering events:

- an accidental spill or sudden release of a hazardous material;

- the discovery or recognition of an existing public health or safety condition involving known hazardous materials; or,

- the discovery of new knowledge which indicates a material to be hazardous which was previously thought to be benign.

It is also useful to consider hazardous materials emergencies in general in terms of life cycle stages through which a particular emergency or class of emergencies may evolve:

- Preparedness Phase: where a specific emergency cannot be observed but can be anticipated. This includes contingency planning and actions such as monitoring the environment for indicators of potential emergency conditions and for indicators of previous emergencies or conditions.

- Mitigation Phase: to prevent or at least lessen the probability of the occurrence or recurrence of an emergency, or to prevent its escalation.

- Crisis Expectant Phase: that period when it is clear that an emergency response may be imminently required.

- Emergency Response Phase.

- Clean-Up and Restoration.

The program is structured to respond to hazardous materials emergencies sytematically in terms of each of the three triggers for such events and the complete life cycle of preparedness and response functions.

It is the objective of this program element to support the Federal purpose to provide for adequate protection of the public health and safety by limiting exposures to the effects of hazardous materials emergencies. It is recognized that over two dozen laws are in place covering aspects of this problem; however, analyses indicate that attention given to emergency conditions is not systematic in approach or comprehensive.

In addition to the knowledge applications integral to the Other Technological Hazards Program, close coordination is maintained with the Research Applications Program for the diffusion of research information.

c. Changes from Original FY 1981 Estimates. The original FY 1981 budget estimate did not reflect this level of activity. Funds and staff budgeted under Research and Systems Development have been distributed to this and four other research elements.

d. FY 1982 Activities. To the extent possible, a major analysis of the overall Federal hazardous materials emergency programs will be undertaken. With available resources, activities and intitiatives will be undertaken to include:

- the identification of program element gaps and those agencies/departments most competent to fill them;

- the identification of program duplications with an effort made to recommend which elements should defer to others, i.e., if the Environmental Protection Agency and the Department of Transportation are performing basically the same service for basically the same constituency then one should defer to the other;

- the identification of areas where the Federal programs are over- or under-investing in terms of time, training, resource mix, etc., with a recommendation as to how returns on these resources can be maximized;

- an identification of effective programs and how these programs can be encouraged, e.g., increased funding, better publicity, more interagency/intergovernmental cooperation; and,

- a critical look at functions that need to be done but now are not and that show very little possibility of being pursued by other agencies. In this event, recommendations will be made on the appropriateness of FEMA doing the work itself.

This in-depth analysis will provide the basis for FEMA exercising its comprehensive emergency management role for hazardous materials emergencies and will complement existing program activities in natural disasters and civil defense.

The increase of $52 thousand will be used toward these objectives.

3. Program Staff

a. Changes from Original FY 1981 Estimates. The original estimates did not reflect this level of activity.

b. FY 1982 Activity. The staff and funds budgeted under Research and Systems Development have been distributed to this and four other elements of research activities.

Emergency Planning, Preparedness and Mobilization
Mitigation and Research
Object Classes
(In thousands of dollars)

Direct Obligations

Code	Object Class	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982
	Personnel compensation:				
11.1	Permanent positions	$ 915	$ 704	$ 940	$ 1,005
11.3	Positions other than permanent	9	9	9	9
11.5	Other personnel compensation	190	194	194	194
	Total Personnel compensation	$1,114	$ 907	$1,143	$ 1,208
	Personnel benefits:				
12.1	Civilian	109	91	109	114
21.0	Travel and transportation of persons	41	28	76	79
21.1	Interagency motor pool	-	-	-	-
22.0	Transportation of things	-	3	-	-
23.1	Standard level user charge	-	265	265	-
23.2	Comm., utilities & other rent.	-	-	-	-
24.0	Printing and reproduction	-	20	-	-
25.0	Other services	6,680	9,883	7,452	11,453
26.0	Supplies and materials	-	19	-	-
31.0	Equipment	-	24	-	-
32.0	Lands and structures	-	-	-	-
41.0	Grants, subsidies, and contributions	-	-	-	-
42.0	Insurance claims and indemnities	-	2	-	-
43.0	Interest and dividends	-	-	-	-
99.0	Total direct obligations	$7,944	$11,242	$9,045	$12,854

Operations Support

This program supports the operation and maintenance of facilities and of communications and automatic data processing systems essential to the conduct of FEMA's other programs.

OPERATIONS SUPPORT
(In thousands of dollars)

SUMMARY OF BUDGET ESTIMATES
I. Summary of Budget Request

PROGRAM HIGHLIGHTS	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 82 vs FY 81
Plans and Preparedness						
National Security Affairs						
Operations Support		$ 9,291	$ 9,649			
Special Facility		6,792	7,603			
Warning and Communication		23,235	25,933			
Plans and Preparedness, State and Local Civil Protection and Planning Assistance (Olney Computer Center)			(1,715)			
A. Management and Administration	74			$ 300	$ 433	$ + 133
B. Communications and Warning	76			33,120	29,741	- 3,379
C. Disaster Response and Recovery	82			50	50	
D. Fire Prevention and Control	84			60	50	- 10
E. Federal Insurance	86			397	397	
F. Mitigation and Research	88			70	50	- 20
G. Federal Preparedness	90			9,001 a/	6,274	- 2,727
H. State and Local Preparedness	93			368 b/	462	+ 94
I. Training and Education	95			63	50	- 13
BUDGET AUTHORITY		$ 39,318	$ 43,185	$ 43,429	$ 37,507	$ - 5,922
BUDGET OUTLAYS		$ 37,633	$ 36,640	$ 37,535	$ 31,585	
PERMANENT POSITIONS - HEADQUARTERS		613	600	554	522	
- REGIONS		84	110	105	105	
TOTAL WORKYEARS		702	703	641	616	

a/ Includes $1,347,000 of the Olney Computer Center total estimate of $1,715,000.
b/ Balance of Olney Computer Center total estimate of $1,715,000.

II. Changes from Original FY 1981 Estimates

This budget activity reflects a net increase of $244,000 due to:

o	$ - 391,000	President Carter's March reduction
o	- 229,000	FY 1981 Appropriation percentage reduction
o	+ 384,000	October 1980 pay raise
o	+ 1,715,000	From Plans and Preparedness, State and Local Civil Protection and Planning Assistance for the Olney Computer Center
o	- 1,121,000	To State and Local Preparedness, Communications and Warning Policy for the Broadcast Station Protection Program
o	- 114,000	President Reagan's March 1981 reduction
	$ + 244,000	Net Increase

OPERATIONS SUPPORT
(In thousands of dollars)

A. Management and Administration

	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
Plans and Preparedness, National Security Affairs Operations Support		($ 300)	$ 300 a/			
1. Program Staff	75	----	----	$ 300	$ 433	$+ 133
BUDGET AUTHORITY		($ 300)	$ 300	$ 300	$ 433	$+ 133
BUDGET OUTLAYS		$ 287	$ 245	$ 257	$ 363	
PERMANENT POSITIONS - HEADQUARTERS		7	7	7	9	
REGIONS		0	0	0	0	
TOTAL WORKYEARS		7	7	7	8	

Changes from Original FY 1981 Estimates

None

a/ Total of this item is $9,649 thousand

1. Program Staff

a. Authority. The statutory basis for the conduct of support activities derives from: the Communications Act of 1934, as amended; the National Security Act of 1947, as amended; the Defense Production Act of 1950, as amended; Executive Orders 10480 and 11490; Reorganization Plan No. 3 of 1978; and Executive Orders 12127 and 12148.

b. Objective/Program Description. The objective is to provide information systems and data processing in support of administrative functions of the Agency, such as personnel, financial management, budget preparation, property inventories, and procurement.

c. Changes from Original FY 1981 Estimates. None

d. FY 1982 Activity. In FY 1982 an increase of $133,000 is required to meet the following requirements of FEMA in administrative areas:

- to maintain the ZBB software and provide operational support agency-wide for zero base budget preparation;

- to update/expand the agency-wide TPPIS personnel/payroll system;

- to implement the provision of a FEMA-wide file of data required under the provisions of the privacy act; and,

- to enhance the Financial Accounting and Reporting System (FARS).

OPERATIONS SUPPORT
(In thousands of dollars)

B. Communications and Warning

	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
Plans and Preparedness, National Security Affairs						
Operations Support		$ 9,291	$ 8,709a/			
Warning and Communications		23,235	25,933			
(Interagency Communications)		(14,612)	(14,184)			
(Civil Defense Communications and Warning)		(8,623)	(11,749)			
1. Interagency Communications	77			$ 16,399	$ 12,678	$- 3,721
2. Civil Defense Communications and Warning	78			7,266	6,665	- 601
National Warning System	79			2,077	2,077	
Washington Warning System	79			375	375	
CD National Communications System	79			914	914	
CD National Radio System	80			924	924	
Other Communications Services	80			554	524	- 30
US Army Support Detachments	80			577	577	
Communications Management Support	80			95	95	
State and Local Communications Planning Support	80			602	602	
Decision Information Distribution System	81			577	577	
Purchase of Antenna Field	81			571	0	- 571
3. Administrative Telephone Service	81			0	720	+ 720
4. Program Staff	81			9,455	9,678	+ 223
BUDGET AUTHORITY		$ 32,526	$ 34,642	$ 33,120	$ 29,741	$ - 3,379
BUDGET OUTLAYS		$ 30,799	$ 29,056	$ 28,679	$ 25,060	

a/ Total of this item is $9,649 thousand

OPERATIONS SUPPORT
(In thousands of dollars)

	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
PERMANENT POSITIONS - HEADQUARTERS		307	306	308	295	
- REGIONS		84	110	105	105	
TOTAL WORKYEARS		394	415	399	392	

Changes from Original FY 1981 Estimates
This budget activity reflects a net decrease of $1,522,000 due to:

o	$ - 323,000	President Carter's March reduction
o	- 187,000	FY 1981 Appropriation percentage reduction
o	+ 460,000	October 1980 pay raise
o	- 1,121,000	To State and Local Preparedness Communication and Warning for the Broadcast Station Protection Program
o	- 351,000	President Reagan's March 1981 reduction
	$ - 1,522,000	Net Decrease

1. Interagency Communications

a. Authority. The statutory basis for the conduct of support activities derives from: the Communications Act of 1934, as amended; the National Security Act of 1947, as amended; the Federal Civil Defense Act of 1950, as amended; Executive Orders 10480 and 11490; Reorganization Plan No. 3 of 1978; and Executive Orders 12127 and 12148.

b. Objective/Program Description. The Interagency Communications System (ICS) provides continuous survivable voice and record communications among the emergency sites of the Headquarters' elements of various departments and agencies at the National level. This system will assure communications support for the emergency command and control of the Federal Government and the conduct of essential functions, including assistance in the formulation and implementation of Presidential decisions.

c. Changes from Original FY 1981 Estimates. A net increase of $2,215,000 results from the President's March reduction of $233,000, plus $2,448,000 for communications previously funded in Operations Support.

d. FY 1982 Activity. Activities in FY 1982 will be at a significantly reduced level in order to allow for a restructuring of FEMA program emphasis. A $3,721,000 decrease will remove some communication backup equipment in the system.

2. Civil Defense Communications and Warning

a. Authority. The statutory basis for the conduct of support activities derives from: the Communications Act of 1934, as amended; the National Security Act of 1947, as amended; the Defense Production Act of 1950, as amended; the Federal Civil Defense Act of 1950, as amended; Executive Orders 10480 and 11490; the Disaster Assistance Act of 1974; Reorganization Plan No. 3 of 1978; and Executive Orders 12127 and 12148.

b. Objective/Program Description. In accordance with the authority cited above it is the basic mission of FEMA to save lives in the event of enemy attack and to provide assistance in natural as well as man-made disasters. Because of the interdependence of the various elements of the communication and warning systems and the number of variables related to a potential enemy attack (i.e., time of day, day of week, season of year, types of weapons, distribution of targets, types of weapon bursts, weather conditions, the element of surprise, etc.) and the unpredictability of natural and man-made disasters, it would be difficult, if not impossible, to determine a separate reasonably specific life-saving capability for each element of the Civil Defense Communication and Warning System.

An adequate communication and warning system to advise the general public, Federal, State, and local governments may be expected to greatly contribute to the saving of lives, under certain conditions, through advance and early warning notification. In any community, the number of lives saved would depend on a number of factors, some of which are (1) the amount of time available for notification before the weapons are delivered or the disaster strikes, (2) the availability of shelter (i.e., blast or fallout protected space), (3) advance planning actions previously taken in expectation of an attack/disaster, (4) the location of the community relative to targets, (5) the capability of the local government to respond in a coordinated manner to provide emergency services and information to its citizens on what actions to take, (6) the capability to measure and react to radioactive fallout conditions, (7) the availability of essentials such as water, food and shelter, and (8) the variables mentioned above regarding the nature and timing of the attack itself.

A timely warning of the populace would allow people to seek shelter. On the other hand, given a fully-developed Civil Defense capability without adequate communications and warning systems, many lives could be needlessly lost. A responsive, reliable communication and warning capability is essential to the national Civil Defense program if we are to adequately warn the American people.

This portion of the budget relates to providing communication and warning to Federal, State and local governments. Dissemination beyond that point is a local government responsibility. However, FEMA assists State and local governments in this area as reflected in the Emergency Management Assistance Program under the State and Local Preparedness section of the budget.

The present Civil Defense Communication and Warning System is a combination of Federal, State and local systems which are designed to convey information and warning of an enemy attack and disaster notification to the civilian population.

c. Changes from Original FY 1981 Estimates. The FY 1981 budget estimate for Civil Defense communications was $8,502,000, exclusive of staff. A net decrease results in the current estimate due to:

o $ + 20,000	October 1980 pay raise for U.S. Army Support Detachments
-1,121,000	To State and Local Preparedness Communication and Warning for the Broadcast Station Protection Program
- 135,000	PL96-526 reduction
$ -1,236,000	Net Decrease

d. FY 1982 Activity. Civil Defense support is provided by the following systems:

(1) National Warning System (NAWAS)-The primary purpose of the National Warning System, which is known as NAWAS, is to provide information of a pending attack upon the United States. It is also used extensively in natural disasters, weather, sea wave warning and downed aircraft. This information is furnished to State governments, cities, counties, and various Federal and military agencies. These points disseminate the warning to the population by various local warning systems.

The NAWAS is a leased (including maintenance) dedicated voice network. It consists of 63 circuits totaling approximately 150,000 nationwide circuit miles. The NAWAS is in continuous operation.

The warning circuits are connected to approximately 2400 terminals throughout the United States. Approximately 1600 of these are monitored at all times. The remaining 800 are monitored part time for various reasons, e.g., Emergency Operating Centers (EOCs) that are occupied only during business hours or during an exercise or emergency; alternate or extension terminals that are connected to the 1600 full-time terminals. Terminals are also located at certain U.S. Coast Guard facilities for alerting ships at sea.

The attack warning information is received from the North American Air Defense Command (NORAD) by the National Warning Center (NWC) at Colorado Springs, Colorado or the Alternate National Warning Center (ANWC) located at Olney, Maryland.

(2) Washington Area Warning System (WAWAS)-This network provides a single attack warning system to serve the Washington, D.C. Metropolitan area covering the political subdivisions in Maryland, Virginia and the District of Columbia. Outdoor warning attention signals are provided by 450 pole and/or building-mounted sirens. An additional 50 will be installed in 1981-82. A selected number of sirens have emergency power.

All sirens are government owned and contractor maintained. In addition to the siren coverage, an indoor bell and flashing light warning network is installed at approximately 176 locations which are predominately government offices. This bell and light network is leased from the serving telephone company and paid for by the user. A non-secure dedicated leased (including maintenance) wireline voice network connects the metropolitan Civil Defense headquarters, military bases, and 43 police and fire departments.

A government-owned and contractor-maintained radio system also provides a backup to portions of this dedicated wireline voice network. The system is activated from either the Alternate National Warning Center or the FEMA Region III Communications Center both located at Olney, Maryland.

(3) Civil Defense National Communication Systems

(a) Civil Defense National Teletypewriter System (CDNATS)

1. CDNATS provides a dedicated teletypewriter network for the transmission and reception of Civil Defense information or other emergency type messages.

2. It is a leased (including maintenance) dedicated full period, full-duplex, store-and-forward, 100-word-per-minute-teletypewriter system serving FEMA Headquarters, FEMA Regions, the 50 states, District of Columbia, Puerto Rico and the Virgin Islands. The system is partially automated

using government-owned computers at Region III and Region VIII, and interconnected by a full-duplex high-speed line. These computers act as electronic switches providing a high volume message capability with a minimum of personnel.

3. The network also serves approximately 26 Federal Agencies when they relocate to the FEMA Regional Headquarters.

(b) Civil Defense National Voice System (CDNAVS)-The system provides voice communications via dedicated leased lines on either a conference or individual basis from each Regional Headquarters to their respective State Civil Defense Offices and their EOCs. Inter-regional and regional-FEMA Headquarters voice service is provided by AUTOVON.

(4) Civil Defense National Radio System (CDNARS)-This is a government owned high frequency radio system with equipment installed in each Federal Regional Center (FRC), FEMA Headquarters, the Special Facility, 49 states, District of Columbia, Puerto Rico, Virgin Islands, Canal Zone and Guam. The purpose of CDNARS is to provide a survivable backup to CDNATS and CDNAVS throughout the FEMA area of responsibility.

(5) Other Communication Services-Provides for various types of equipment and services required for communication capability which are not provided elsewhere in FEMA's communication systems or support. They are: (a) teletype services to receive weather data at the regions for use in radioactive fallout prediction; (b) protected cables between regions and telephone company centrals; (c) AUTODIN teletype service for transmittal and receipt of classified data between Headquarters FEMA, the FEMA regional offices and DOD agencies; (d) Executive Secure Voice Network (ESVN) terminals at FEMA regional operation centers and emergency relocations for the exchange of classified information with joint staff, National Military Command Center, Alternate National Military Command Center, and military staff and command centers on a day-to-day and crisis basis; (e) AUTOVON voice service for inter-regional capability and to interface with elements of the Department of Defense (DOD) and other activities on a non-secure basis; (f) facsimile capability utilizing AUTOVON, CDNAVS or commercial circuits for transmission of vital charts, weather maps, etc. A decrease of $30,000 in FY 1982 results from the elimination of certain AUTOVON circuits.

(6) U.S. Army Support Detachments-The U.S. Army reserve support detachments are used to man communication centers in the regional facilities to insure continuity of nationwide communications and warning system. Under normal conditions, the communication services required for planning and operations functions are provided by FEMA. However, staffs are insufficient to man these systems during emergencies requiring extended and continuous operation. The funds are required to reimburse the U.S. Army for this support. If discontinued, there are no other volunteer programs that can provide the support required at this level of expenditure.

(7) Communications Management Support-Funds requested will provide for the continuing administrative and technical support of day-to-day operations and for development and maintenance of emergency Civil Defense capability at the National, State and local levels.

(8) State and Local Communication Planning Support. Provides for technical assistance in the development, updating and review of State and local communications and warning plans and procedures for Radio Amateur Civil Emergency Services (RACES), direction and control of emergency public information, and emergency services activities.

(9) The Decision Information Distribution System (DIDS)-This system consists of a single low frequency transmitter located at Edgewood, Maryland. It is the prototype of a proposed network of like stations intended to provide an improved national warning capbility. This facility is presently in mothballs but is scheduled to be reactivated in FY 1981 on a continuing basis to augment current warning systems.

(10) Antenna Field (CDNARS)-The antenna field in Olney, Maryland was purchased in FY 1981. This one-time purchase accounts for a decrease of $571,000 in FY 1982.

3. Administrative Telephone Service

a. Authority. See 2.a above.

b. Objective/Program Description. This activity encompasses the centralized management and funding of day-to-day administrative type telephone services provided FEMA Headquarter's elements. Included are the management of local systems and equipment in the Headquarter's area and FEMA's usage of intercity networks, such as the government's Federal Telephone System (FTS), Federal Secure Telephone Service (FSTS) and the Direct Distance Dialing (DDD) commercial network.

c. Changes from Original FY 1981 Estimates. In FY 1981, administrative telephone costs were budgeted in each of the program areas.

d. FY 1982 Activity. The level of effort projected for FY 1982 includes provision for a minimal level of mission-essential telephone services for the FEMA National and Regional activities. The establishment of FEMA by consolidation of components from several Federal agencies, departments and selected elements of the Department of Defense, resulted in a broad configuration of general purpose telephone communications services. These services are diverse and in general serve a Headquarter's component or Regional element's particular needs. Emphasis is being placed on consolidating these services to the maximum extent possible to improve effectiveness and reduce overall costs.

Major efforts are centered in the area of linking nationwide FEMA elements with updated terminal switching facilities. This will then permit a consolidation of user traffic and enable economies to be realized both in leasing of local facilities and usage of various long distance services. As a result of these economies we believe this upgrade can be achieved within existing funding levels.

4. Program Staff

a. FY 1982 Activity. An increase of $223,000 is due to the decrease of FY 1981 costs as a result of President Reagan's March 1981 reduction.

OPERATIONS SUPPORT
(In thousands of dollars)

C. Disaster Response and Recovery

	Page No.	Actual FY 1980	Budget Estimate FY 1980	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
Plans & Preparedness						
National Security Affairs						
Operations Support		$ (50)	$ 50 a/			
1. Program Staff	83			$ 50	$ 50	
BUDGET AUTHORITY		$ (50)	$ 50 a/	$ 50	$ 50	
BUDGET OUTLAYS		$ 43	$ 43	$ 43	$ 43	
PERMANENT POSITIONS - HEADQUARTERS		1	1	1	1	
- REGIONS		0	0	0	0	
TOTAL WORKYEARS		1	1	1	1	

Changes from Original FY 1981 Estimates

None

a/ The total of this item is $9,649 thousand.

C. Disaster Response and Recovery

1. Program Staff

a. Authority. The statutory basis for the conduct of support activities derives from: the Communications Act of 1934, as amended; the National Security Act of 1947, as amended; the Defense Production Act of 1950, as amended; the Federal Civil Defense Act of 1950, as amended; Executive Orders 10480 and 11490; the Disaster Assistance Act of 1974; Reorganization Plan No. 3 of 1978; and Executive Orders 12127 and 12148.

b. Objective/Program Description. The objective is to provide this program with automatic data processing (ADP) and telecommunications support on an available basis while not degrading primary mission effectiveness.

c. Changes from Original FY 1981 Estimates. None

d. FY 1982 Activity. In FY 1982, the current level of effort to this program will be maintained. Support will focus on the establishment of emergency response contact lists pertaining to hazardous materials and to continue maintenance support for the Disaster Management Information System (DMIS).

OPERATIONS SUPPORT
(In thousands of dollars)

D. Fire Prevention and Control

	Page No.	Actual FY 1980	Budget Estimate FY 1980	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 82 vs 81
Plans and Preparedness National Security Affairs Operations Support		$ (60)	$ 60 a/			
1. Program Staff	85			$ 60	$ 50	$ - 10
BUDGET AUTHORITY		$ (60)	$ 60 a/	$ 60	$ 50	$ - 10
BUDGET OUTLAYS		$ (57)	$ 57	$ 57	$ 43	
PERMANENT POSITIONS - HEADQUARTERS		1	1	1	1	
- REGIONS		0	0	0	0	
TOTAL WORKYEARS		1	1	1	1	

Changes from Original FY 1981 Estimates

None

a/ The total of this item is $9,649 thousand.

D. Fire Prevention and Control

1. Program Staff

a. Authority. The statutory basis for the conduct of support activities derives from the Fire Prevention and Control Act of 1974; Executive Order 11490; Reorganization Plan No. 3 of 1978; and Executive Orders 12127 and 12148.

b. Objective/Program Description. The role of Operations Support is to provide automatic data processing (ADP) support and telecommunications management assistance to the U.S. Fire Administration (USFA).

ADP support is to be provided for the following applications:

1. The National Fire Incident Reporting System (NFIRS). This is an integrated system that provides for the collection, preparation, and dissemination of statistics reports on fire related data. The data base encompassed 38 states and contains approximately 2,000 records.

2. An automated system for student, administrative, registration, housing, transportation, and related integrated processing of other data associated with programs at the USFA.

Efforts are continuing to upgrade telecommunications support at the USFA and integrate this into other FEMA networks. This is being accomplished through an advanced state-of-the-art Private Automated Branch Exchange which was made operational during FY 1980. This switch constitutes the first utilization by FEMA or its predecessor agencies of any major electronic system using micro-processor technology.

The switch will enable the rapidly increasing constituency of the facility to efficiently control all its telecommunication requirements from one central point.

c. Changes from Original FY 1981 Estimates. None

d. FY 1982 Activity. The proposed funding level represents a decrease of $10,000 to allow for a restructuring of FEMA program emphasis. Support efforts have been reduced to a nominal level of one man-year plus associated operating expenses.

Tasks to be addressed:

1. The National Fire Incident Reporting System (NFIRS) will be converted and transferred to the Operations Support system;

2. Support will be provided for the analysis and evaluation of the fire incident data in developing new software for local analysis and develop demographic maps and charts; and,

3. Efforts will continue to use the existing telecommunications switch to realize savings from using network economics of scale and provide an improved means of satisfying FEMA's requirements for responsive national telecommunications systems.

OPERATIONS SUPPORT
(In thousands of dollars)

E. Federal Insurance

PROGRAM LEVEL	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
Plans and Preparedness, National Security Affairs						
Operations Support		$ (397)	$ 397 a/			
Federal Insurance						
FIA Map and Locator Information	87			$ 248	$ 248	
Program Staff	87			149	149	
BUDGET AUTHORITY		$ (397)	$ 397 a/	$ 397	$ 397	
BUDGET OUTLAYS		$ (379)	$ 337	$ 341	$ 341	
PERMANENT POSITIONS - HEADQUARTERS		5	5	5	5	
- REGIONS		0	0	0	0	
TOTAL WORKYEARS		5	5	5	5	

Changes from Original FY 1981 Estimates

None

a/ The total of this item is $9,649 thousand.

E. Federal Insurance

a. Authority. The statutory basis for the conduct of support activities derives from: the National Flood Insurance Act of 1968, as amended; the Flood Disaster Protection Act of 1973, as amended; Executive Orders 10480 and 11490; Reorganization Plan No. 3 of 1978; and Executive Orders 12127, 12148, and 11988.

b. Objective/Program Description. The objective of Operations Support is to provide in-house or contractor technical support to the Federal Insurance Administration (FIA) including the provision of required hardware, software development, systems and data base maintenance and communications technology for the FIA in-house and contractor operated systems.

c. Changes from Original FY 1981 Estimates. The FY 1981 budget estimate did not reflect this level of activity.

d. FY 1982 Activity. Activities will include the management and monitoring of FIA's prime contractors and others providing ADP micrographics and other technical support for FIA programs. This systems support will provide for operation of the FIA programs in all 50 states, and for the integration of the various automated systems now performing specific functions. Also included will be support for systems enhancements and modifications for the insurance mechanisms developed by FIA. Implementation of new "V" zone rating methodology, implementation of Section 1362 of the flood insurance legislation, and the "Accelerated Conversion" of communities into the regular flood insurance program will be supported.

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F. Mitigation and Research

PROGRAM LEVEL	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs FY 81
Plans and Preparedness National Security Affairs, Operations Support		$ (70)	$ 70 a/			
1. Program Staff	89			$ 70	$ 50	$ - 20
BUDGET AUTHORITY		$ (70)	$ 70 a/	$ 70	$ 50	$ - 20
BUDGET OUTLAYS		$ (59)	$ 59	$ 59	$ 43	
PERMANENT POSITIONS - HEADQUARTERS		1	1	1	1	
- REGIONS		0	0	0	0	
TOTAL WORKYEARS		1	1	1	1	

Change from Original FY 1981 Estimate

None

a/ The total of this item is $9,649 thousand.

F. Mitigation and Research

1. Program Staff

a. Authority. The statutory basis for the conduct of support activities derives from: the Communications Act of 1934, as amended; the National Security Act of 1947, as amended; the Defense Production Act of 1950, as amended; the Federal Civil Defense Act of 1950, as amended; Executive Orders 10480 and 11490; Reorganization Plan No. 3 of 1978; and Executive Orders 12127 and 12148.

b. Objective/Program Description. The objective is to support the development and maintenance of computer models and data bases for the investigation of the relative effectiveness of various potential preparedness options for both National, State and local preparedness activities.

c. Changes from Original FY 1981 Estimates. None

d. FY 1982 Activity. The proposed funding level represents a decrease of $20,000 to allow for a restructuring of FEMA program emphasis. This reduced level of effort will provide nominal support (one manyear and associated operating expenses) to meet mitigation and research requirements. FY 1982 activity will include the continuation of computer modelling efforts including nuclear attack scenarios, testing and evaluating national and local civil preparedness systems and assessing the hazards of nuclear attack and vulnerability analysis of national systems.

OPERATIONS SUPPORT
(In thousands of dollars)

G. Federal Preparedness

PROGRAM LEVEL	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
Plans and Preparedness, National Security Affairs						
Special Facility		$ 6,792	$ 7,603			
Operations Support						
1. Special Facility - Staff and Administrative Expenses	91			$ 7,669	$ 5,304	$- 2,365
State and Local Civil Protection and Planning Assistance, Olney Computer Cntr.		(1,347)	(1,347)			
2. Data Base Maintenance - Staff and Administrative Expenses	92			1,332	970	- 362
BUDGET AUTHORITY		$ 6,792	$ 7,603	$ 9,001	$ 6,274	$- 2,727
BUDGET OUTLAYS		$ 6,834	$ 6,789	$ 7,729	$ 5,289	
PERMANENT POSITIONS - HEADQUARTERS		280	268	220	198	
- REGIONS		0	0	0	0	
TOTAL WORKYEARS		282	262	216	197	

Changes from Original FY 1981 Estimate

$ - 68,000 President Carter's March 1980 reduction
- 42,000 FY 1981 appropriation percentage reduction
+ 192,000 October 1980 pay raise
- 16,000 President Reagan's March 1981 reduction
+1,332,000 Data Base Maintenance from State and Local Civil Protection and Planning Assistance
$+1,398,000 Net increase

G. Federal Preparedness

1. Special Facility

a. Authority. The statutory basis for the conduct of support activities derives from: the Communications Act of 1934, as amended; the National Security Act of 1947, as amended; the Defense Production Act of 1950, as amended; the Federal Civil Defense Act of 1950, as amended: Executive Orders 10480 and 11490; the Disaster Assistance Act of 1974; Reorganization Plan No. 3 of 1978; and Executive Orders 12127 and 12148.

b. Objective/Program Description. Objective are:

(1) To continue to provide a protected facility so that in case of any emergency the Federal Government has the capability for responding to the President in the making and implementing of policy decisions;

(2) To maintain the facility in a constant state of readiness on a 24-hour basis;

(3) To provide an adequate number of trained personnel to support emergency operations; and,

(4) To insure the facility is ready and available for the more than 1200 relocatees from all Federal departments and agencies who have a continuity of government role in any emergency.

The function of this facility is closely related to the continuity of government program.

c. Changes from Original FY 1981 Estimates. A net increase of $ 66,000 results from President Carter's reduction in March, 1980 (-$68,000), the FY 1981 appropriation percentage reduction (-$42,000), President Reagan's March 1981 reduction (-$16,000), offset by the October, 1980 pay raise (+$192,000).

d. FY 1982 Activity. The proposed funding level represents a decrease of $2,365,000 to allow for a restructuring of FEMA program emphasis. It will require a reduction of at least 83 personnel spaces (including 19 who had previously been paid from reimbursable funds) from the original FY 1981 Budget Estimate; a reduction in the Public Health Service health care support; and, elimination of the Weather Service support unit. The life support systems at the Special Facility will be maintained at a minimum level of readiness.

A $5,304,000 level for the Special Facility will permit maintenance of the facility at a minimum readiness level during normal working hours (8 a.m. to 4:30 p.m.) and at a standby level of readiness on off-duty hours (4:30 p.m. to 8 a.m., weekends and holidays). The number of personnel who could be retained would be only enough to provide a nucleus of trained on-board employees. To ensure 24-hours operation of the facility, it would be necessary to augment these employees with trained personnel from off-site.

2. Data Base Maintenance

a. Authority. See 1.a above

b. Objective/Program Description. Operations Support objectives are:

1. To provide for the maintenance and enhancement of models and data bases in support of the operational readiness posture of FEMA of estimating damage to the Nation's resource and population from nuclear attack;

2. To conduct studies of hypothetical post attack disaster situations using automated disaster information systems to provide analytical support to emergency management policy decision makers;

3. To establish and operate automated routines for assuring the accuracy and validity of the data bases; and,

4. To provide expert technical consultation and advice as needed to the Director of FEMA and to the managers in the Federal Preparedness program areas concerning optimal and appropriate configuration and utilization of data, modeling and computer software system to achieve Federal Preparedness objectives in FEMA.

c. Changes from Original FY 1981 Estimates. A net decrease of $15,000 results from President Reagan's March 1981 reduction.

d. FY 1982 Activity. In FY 1982, Operations Support will:

1. Assimilate and improve:

- The currency, accuracy and content of the resource data base consisting of more than one million individual data points and a variety of economic data bases used in modeling activities and applied analyses.

- Multi-purpose modeling systems for risk damage and economic evaluations of events and emergencies of conern to FEMA.

- Multi-purpose computer software for developing, analyzing and utilizing data bases and models in the evaluation of events and emergencies of concern to FEMA.

2. Provide modeling support for Federal Preparedness programs in the areas of Continuity of Government, Resources Preparedness, Policy Development, and Tests and Exercises using data access, modeling, and computer software systems and providing expert analysis as needed employing these systems to evaluate impact, hazards, vulnerabilities and actions to mitigate events and emergencies of concern to FEMA.

As the data, models and computer software are available to serve multiple purposes, support will be provided to such programs as Management and Administration, State and Local Preparedness, Fire Prevention and Control, Disaster Response and Recovery, Federal Insurance, Mitigation and Research and Training and Education on a secondary and as needed basis. The proposed funding level represents a decrease of $362,000 to allow for a restructuring of FEMA's program emphasis.

OPERATIONS SUPPORT
(In thousands of dollars)

H. State and Local Preparedness

PROGRAM HIGHLIGHTS PROGRAM LEVEL	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
Plans & Preparedness, State & Local Civil Protection and Planning Assistance, (Olney Computer Center).....		$ (368)	$ (368)			
1. Data Base Support for Broadcast Station Protection Program Planning and CD National Warning System.....	94			$ 100	$ 100	
2. Program Staff.....	94			268	362	$ + 94
BUDGET AUTHORITY.....		$ (368)	$ (368)	$ 368	$ 462	$ + 94
BUDGET OUTLAYS.....		$ (316)	$ (316)	$ 316	$ 372	
PERMANENT POSITIONS - HEADQUARTERS.....		9	9	9	10	
- REGIONS.....		0	0	0	0	
TOTAL WORKYEARS.....		9	9	9	9	

Changes from Original FY 1981 Estimate

None

H. State and Local Preparedness

1. Data Base Support

a. Authority. The statutory basis for the conduct of support activities derives from: the Communications Act of 1934, as amended; the National Security Act of 1947, as amended; the Defense Production Act of 1950, as amended; the Federal Civil Defense Act of 1950, as amended; Executive Orders 10480 and 11490; the Disaster Assistance Act of 1974; Reorganization Plan No. 3 of 1978; and Executive Orders 12127 and 12148.

b. Objective/Program Description. The objective is to update and maintain various data bases and inventories of capabilities and equipment at the State and local levels which support day-to-day program management needs as well as limited emergencies.

c. Changes from Original FY 1981 Estimates. None

d. FY 1982 Activity. Automatic data processing (ADP)support will be continued or expanded for the Civil Defense Broadcast Station Protection Program, the Civil Defense National Warning System (NAWAS), and U. S. Government and FEMA notification files. An increase of $94,000 is requested to meet the ADP support requirements associated with crisis relocation planning, the radiological support programs, State and Local Civil Defense program status monitoring systems, the Shelter Survey programs, and for development and maintenance of data bases for the earthquake and dam safety programs.

2. Program Staff

The staff assigned to the activity performs the duties to meet the objectives of this activity.

OPERATIONS SUPPORT
(In thousands of dollars)

I. Training and Education

PROGRAM LEVEL	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
Plans and Preparedness, National Security Affairs Operations Support		$ (64)	$ 63 a/			
1. Program Staff	96			$ 63	$ 50	$ - 13
BUDGET AUTHORITY		$ (64)	$ 63 a/	$ 63	$ 50	$ - 13
BUDGET OUTLAYS		$ (61)	$ 54	$ 54	$ 42	
PERMANENT POSITIONS - HEADQUARTERS		2	2	2	2	
- REGIONS		0	0	0	0	
TOTAL WORKYEARS		2	2	2	2	

Change from Original FY 1981 Estimate

None

a/ The total of this item is $9,649 thousand.

I. Training and Education

1. Program Staff

a. Authority. The statutory basis for the conduct of support activities derives from: the Communications Act of 1934, as amended; the National Security Act of 1947, as amended; the Defense Production Act of 1950, as amended; the Federal Civil Defense Act of 1950, as amended; Executive Orders 10480 and 11490; the Disaster Assistance Act of 1974; Reorganization Plan No. 3 of 1978; and Executive Orders 12127 and 12148.

b. Objective/Program Description. The objective is to provide the automatic data processing (ADP) support necessary for updating, maintaining and producing reports from a data file of training requirements and training accomplishments. Training of other FEMA elements in the use of existing ADP systems is also provided.

c. Changes from Original FY 1981 Estimates. None

d. FY 1982 Activity. The proposed funding level represents a decrease of $13,000 to allow for a restructuring of FEMA program emphasis. This reduced level of effort will provide nominal support to meet training and education ADP needs. Specifically, a data base of students who have completed home study courses related to Civil Defense training will be updated and maintained. ADP training requirements for Comprehensive Emergency Management courses will be established and relevant course development begun.

Emergency Planning, Preparedness and Mobilization
Operations Support
Object Classes
(In thousands of dollars)

Direct Obligations

Code	Object Class	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982
	Personnel compensation:				
11.1	Permanent positions	$15,185	$15,260	$16,619	$13,458
11.3	Positions other than permanent	85	5	56	30
11.5	Other personnel compensation	350	499	421	460
	Total Personnel compensation	15,620	15,764	17,096	13,958
	Personnel benefits:				
12.1	Civilian	1,442	1,598	1,760	1,212
21.0	Travel and transportation of persons	207	195	178	139
21.1	Interagency motor pool				
22.0	Transportation of things	11	7	17	16
23.1	Standard level user charge	121	121	121	
23.2	Comm., utilities & other rent.	18,015	17,468	18,847	18,881
24.0	Printing and reproduction	25	28	20	15
25.0	Other services	2,403	5,269	3,696	2,258
26.0	Supplies and materials	1,381	1,588	984	980
31.0	Equipment	93	576	139	48
32.0	Lands and structures		571	571	--
41.0	Grants, subsidies, and contributions	--	--	--	--
42.0	Insurance claims and indemnities				
43.0	Interest and dividends	--	--	--	--
99.0	Total direct obligations	$39,318	$43,185	$43,429	$37,507

State and Local Preparedness

This program deals with the development of State and local government capabilities to prepare for and respond effectively to emergency situations ranging from natural disaster to nuclear attack. Its major program activities consist of:

- Emergency Management Assistance, which provides matching grants to State and local governments to support emergency preparedness personnel who develop and maintain comprehensive emergency programs and systems under the Federal Civil Defense Act of 1950, as amended;

- Supporting Materials/Maintenance and Services, which provides for the procurement, installation, and maintenance of equipment for civil defense direction and control, warning, and emergency public information systems on a matching funds basis;

- Radiological Defense, which provides for instruments to measure the level of harmful gamma radiation, a system and plan for the deployment and maintenance of these instruments, a procedure for training individuals how to use and operate the instruments, and a means to use this information to avoid radiation casualties and minimize radiation injury;

- Nuclear Attack Civil Preparedness, which provides for plans and systems to protect the population against the effects of a nuclear attack, including crisis relocation planning and shelter identification and preparation;

- Mobilization Designees, which provides trained and experienced military reservists to augment civil preparedness agency staffs in a war-time or national emergency and to assist the staffs with their planning and operational activities;

- Emergency Operating Centers, which provides for a nationwide direction and control network to permit key officials to operate effectively in an emergency;

- Supporting Activities, which provides specialized expertise in support of emergency operations, including liaison with the American National Red Cross and General Aviation, and a Manual Damage Estimation System;

- Communications and Warning Policy, which provides planning assistance for direction and control and warning communications, as well as Emergency Broadcast System and emergency information planning and broadcast station protection;

- Comprehensive Emergency Preparedness Planning, which provides financial and technical assistance in dealing with emergency preparedness and operations in the broadest sense;

- Special Hazards Preparedness Planning, which provides financial assistance for loss studies and contingency planning for earthquakes and hurricanes in high-risk population areas and provides guidance on planning and other preparedness for hazardous materials accidents, including nuclear weapons; and,

- Radiological Emergency Preparedness, which provides for emergency preparedness and planning activities for fixed nuclear power facilities, nonpower related nuclear facilities and transportation accidents involving radioactive materials.

STATE AND LOCAL PREPAREDNESS
(In thousands of dollars)

SUMMARY OF BUDGET ESTIMATES

I. Summary of Budget Request

PROGRAM HIGHLIGHTS PROGRAM LEVEL	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
Financial Assistance to States, State and Local Management		$37,100	$37,100			
Plans and Preparedness State and Local Civil Protection and Planning Assistance Program Staff			($ 652)			
A. Emergency Management Assistance	104			$37,752	$44,632	+6,880
Financial Assistance to States, State and Local Maintenance		1,934	1,934			
Plans and Preparedness State and Local Civil Protection and Planning Assistance State and Local Direction and Control Program Staff			1,900 (281)			
B. Supporting Materials, Maintenance and Services	106			4,115	7,037	+2,922
Plans and Preparedness Radiological Defense		4,115	7,542			
State and Local Civil Protection and Program Assistance Program Staff			(639)			
C. Radiological Defense	109			8,148	11,049	+2,901

STATE AND LOCAL PREPAREDNESS
(In thousands of dollars)

	Page No.	Actual FY 1980	Estimate FY 1981	Estimate FY 1981	Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
Plans and Preparedness						
State and Local Civil Protection and Planning Assistance						
Nuclear Civil Protection Planning....		$ 5,039	$ 7,110			
National Shelter Survey.....		2,239	2,687			
Shelter Marking.....		0	100			
Shelter Stocks.....		0	100			
Packaged Ventilation Kits.....		0	100			
Crisis Upgrade Planning.....		0	325			
Program Staff.....		(4,351)	(5,067)			
D. Nuclear Attack Civil Preparedness.....	116			$15,237	$19,027	+3,790
Plans and Preparedness						
State and Local Civil Protection and Planning Assistance						
Mobilization Designee Program.....		0	2,355			
E. Mobilization Designee Program.....	124			2,355	0	-2,355
Plans and Preparedness						
State and Local Civil Protection and Planning Assistance						
Emergency Operating Centers.....		0	5,500			
Program Staff.....			($ 842)			
F. Emergency Operating Centers.....	126			6,342	7,387	+1,045

	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
Plans and Preparedness						
State and Local Civil Protection and Planning Assistance						
Red Cross Advisors		$ 270	$ 270			
Program Staff			($ 541)			
G. Supporting Activities	130			$ 297	$ 300	+ 3
Plans and Preparedness						
State and Local Civil Protection and Planning Assistance						
Program Staff			(895)			
Warning and Communications						
Broadcast Station Protection Program			(1,121)			
H. Communications and Warning Policy	133			1,962	4,489	+2,527
Plans and Preparedness						
State and Local Civil Protection and Planning Assistance						
Program Staff			(731)			
I. Comprehensive Emergency Preparedness Planning	137			668	557	- 111
Plans and Preparedness						
State and Local Civil Protection and Planning Assistance						
Program Staff			(547)			
J. Special Hazards Preparedness Planning	139			547	536	- 11

STATE AND LOCAL PREPAREDNESS
(In thousands of dollars)

	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
K. Radiological Emergency Preparedness		$ 1,590[a]	$ 0	$ 1,742 [b]	$ 4,260	+ 2,518
Plans and Preparedness State and Local Civil Protection and Planning Assistance Program Staff	141	18,573	22,095			
L. Management and Administration	145			9,321	0	- 9,321
BUDGET AUTHORITY		$70,860	$89,118	$88,486	$ 99,274	+ 10,788
BUDGET OUTLAYS		71,731	80,244	80,140	90,224	
PERMANENT POSITIONS - HEADQUARTERS		95	118[c]	100	95	
- REGIONS		327	391	349	187	
TOTAL WORKYEARS		441	508	436	279	

a/ FY 1980 budget supplemental. Total of supplemental is $1,900 thousand.
b/ Transfer from Nuclear Regulatory Commission. Total amount of transfer is $2,619 thousand.
c/ Permanent positions and workyears are shown; however, the budget justification did not reflect personnel breakouts at this level.

II. Changes From Original FY 1981 Estimates

A net decrease of $ 632,000 is due to:

$ -	470,000	President Carter's March Reduction
-	417,000	FY 1981 appropriation percentage reduction
+	1,742,000	Appropriation transfer from Nuclear Regulatory Commission for Radiological Emergency Preparedness
+	396,000	October 1980 payraise
-	1,715,000	To the program activity, Operations Support, for Olney Computer Center
-	1,008,000	To the program activity, Training and Education, for regional staff
+	1,121,000	From the program activity, Operations Support, for Broadcast Station Protection Program
-	281,000	President Reagan's March 1981 reduction
$ -	632,000	Net Decrease

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STATE AND LOCAL PREPAREDNESS
(In thousands of dollars)

A. Emergency Management Assistance

	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
Financial Assistance to States.....						
State and Local Management.....		$37,100	$37,100			
Plans and Preparedness.....						
State and Local Civil Protection and Planning Assistance, Program Staff			(652) a/			
1. Emergency Management Assistance (State and Local).....	105			$37,100	$43,940	$ + 6,840
2. Program Staff.....	105			652	692	+ 40
BUDGET AUTHORITY.....		$37,100	$37,100	$37,752	$44,632	$ + 6,880
BUDGET OUTLAYS.....		$37,545	$33,390	$34,279	$40,694	
PERMANENT POSITIONS - HEADQUARTERS.....		7	8 b/	8	8	
- REGIONS		10	10	10	10	
TOTAL WORKYEARS.....		18	18	17	18	

a/ Total of this item is $22,095 thousand.
b/ Permanent positions and workyears are shown; however, the budget justification did not reflect personnel breakouts at this level.

1. Emergency Management Assistance

a. Authority. P.L. 81-920, Federal Civil Defense Act of 1950, as amended, Section 205.

b. Objective/Program Description. Through 50-50 matching grants, FEMA assists States and local governments in recruiting, training, and maintaining a professional staff for emergency management organizations capable of coping with any kind of emergency, including but not limited to war-caused disasters. These people are skilled planners and local government technicians serving their governments and operating under their elected officials. They perform a coordinating or specialist function, involving the training or preparation of other regular elements of government for emergency operations. They are responsible for the planning, organization, and training of State and local government employees and volunteers who carry out segments of various emergency programs assigned to regular departments of government. (In the Justification of Estimates for Fiscal Year 1981, this program was called State and Local Management.)

c. Changes from Original FY 1981 Estimates. None

d. FY 1982 Activity. Increases (see table below) in both participating jurisdictions and their emergency management staffing will facilitate meeting FEMA standards for organization, planning, training, and other aspects of emergency preparedness.

EMA Participation	FY 80	FY 81	FY 82
State/local jurisdictions	2,542	2,542	2,650
State-level personnel	1,298	1,298	1,400
Local-level personnel	4,540	4,540	5,400

2. Program Staff

a. Authority. P.L. 81-920, Federal Civil Defense Act of 1950, as amended, Section 205.

b. Objective/Program Description. To maintain sufficient FEMA staff capability to provide this assistance, monitor its use, and increase its efficiency and effectiveness.

c. Changes from Original FY 1981 Estimates. $652,000 for staff and administrative expenses. This is an internal adjustment and does not reflect an increase of funding or staff.

d. FY 1982 Activity. Regional staff will make a technical review of eligibility for all States and local governments participating in this program. Headquarters staff will maintain currency of national guidance and statistics, conduct selected on-site regional reviews, and consider program revisions for greater effectiveness and improved management.

STATE AND LOCAL PREPAREDNESS
(In thousands of dollars)

B. Supporting Materials, Maintenance and Services

	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
Financial Assistance to States						
State and Local Maintenance Service.....		$ 1,934	$ 1,934			
Plans & Preparedness						
States and Local Civil						
Protection and Planning Assistance						
State and Local Direction and Control.....			1,900			
Program Staff.....			(281) a/			
1. Supporting Materials	107			$ 1,900	$ 4,475	$ + 2,575
2. Maintenance and Services	107			1,934	2,297	+ 363
3. Program Staff.....	107			281	265	- 16
BUDGET AUTHORITY.....		$ 1,934	$ 3,834	$ 4,115	$ 7,037	$ + 2,922
BUDGET OUTLAYS		$ 1,741	$ 3,451	$ 3,704	$ 6,390	
PERMANENT POSITIONS - HEADQUARTERS		3	3 b/	3	3	
- REGIONS		6	6	6	6	
TOTAL WORKYEARS.....		9	9	9	9	

a/ The total of this item is $22,095 thousand.

b/ Permanent positions and workyears are shown; however, the budget justification did not reflect personnel breakouts at this level.

1. Supporting Materials

a. Authority. Federal Civil Defense Act of 1950, as amended, subsec. 201(i); 50 U.S.C. App. 2281(i); P.L. 96-342, Section 702.

b. Objective/Program Description. This program provides Federal matching funds to enhance State and area-wide emergency communications and warning systems capabilities for use in nuclear attack emergencies, and for use in natural disasters, and other peacetime civil emergencies. Additionally, equipment and materials in support of emergency communications and warning systems, such as emergency power generators, fuel tanks, and other related materials, are funded under this program.

FEMA also provides operational guidance and technical assistance to States in preparing and reviewing plans, system analysis and design, and for obtaining Federal matching funds for items eligible under this program as shown in the Communications and Warning Planning Program.

c. Changes from Original FY 1981 Estimates. None

d. FY 1982 Activities. Provide matching funds assistance and program direction to States with primary consideration to enhancing State and area-wide emergency communications and warning capabilities.

2. Maintenance and Services

a. Authority. P.L. 81-920, as amended, Federal Civil Defense Act of 1950, as amended, P.L. 96-342, Section 702.

b. Objective/Program Description. The objective of this program is to assist State and local government with recurring costs and maintenance of existing direction and control, communications and warning systems features specifically required for emergency operations, not normal to day-to-day emergency services operations.

The Maintenance and Services program provides Federal funds to be matched with State and local funds (50/50) for annual recurring, maintenance and replacement cost of EOC equipment and facility components, of communications system components, of alerting and warning systems components, and of other defined services and systems required to manage and maintain an effective emergency operations capability and reliable state of readiness.

This program is related to the Supporting Materials Program and Emergency Operating Centers Program in that it provides matching funds for the maintenance of State and local communications and warning systems and for EOCs.

c. Changes from Original FY 1981 Estimates. None

d. FY 1982 Activity. Provide matching funds assistance and program direction to State and local governments with primary consideration to maintaining EOCs and communications and warning capability at the State and local level.

3. Program Staff

a. Authority. Federal Civil Defense Act of 1950, as amended, 50 U.S.C. App. 2251-2297.

b. Objective. Program staff in the Headquarters and Regions will administer the activities as listed in 1,d and 2,d above.

c. Changes from Original FY 1981 Estimates. $281K for staff and administrative expenses. This is an internal adjustment and does not reflect an increase of funding or staff.

d. FY 1982 Activity. In addition to administering the activities in section 3,b above the following will be performed:

o Collect and analyze information to determine emergency communciations and warning requirements and deficiencies at the State and area-wide systems levels.

o Evaluate projects and develop Headquarters program policy for State and local governments in preparing financial assistance applications.

o Refine data to facilitate evaluation of system deficiencies and priorities for funding considerations.

o Provide technical support and guidance to State and local governments concerning applications for funding communciations and warning systems and EOC maintenance.

o Perform analysis of Maintenance and Services funds utilization to minimize lapse and loss of funds.

STATE AND LOCAL PREPAREDNESS
(In thousands of dollars)

C. Radiological Defense

	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
Plans & Preparedness Radiological Defense		($4,115)	($7,542)			
State and Local Civil Protection and Planning Assistance Program Staff			(654)			
1. Equipment Engineering	110	$ 198	$ 725	$ 725	$ 1,200	$ + 475
2. Equipment Procurement	110	149	2,125	2,125	1,980	- 145
3. Equipment Logistical Support	111	245	245	245	250	+ 5
4. Equipment Maintenance & Calibration	112	3,000	3,000	3,000	4,250	+1,250
5. Fallout Forecasting	113	11	10	10	10	0
6. State Radiological Defense Officers	114	0	880	880	2,020	+1,140
7. Operational Guidance	114	0	0	0	240	+ 240
8. Program Staff	115	512	557	1,163	1,099	- 64
BUDGET AUTHORITY		$4,115	$7,542	$8,148	$11,049	$ +2,901
BUDGET OUTLAYS		$4,073	$7,466	$7,433	$10,022	
PERMANENT POSITIONS - HEADQUARTERS		16	21 a/	19	19	
- REGIONS		14	15	10	12	
TOTAL WORKYEARS		29	35	28	30	

Changes from Original FY 1981 Estimates

o $+654,000 from Program Staff, State & Local Civil Protection and Planning Assistance
- 48,000 President Reagan's March 1981 reduction
$+606,000 Net increase

a/ Permanent positions and workyears are shown; however, the budget justification did not reflect personnel breakouts at this level.

1. Equipment Engineering

a. Authority. Federal Civil Defense Act of 1950, as amended, Section 201 50 U.S.C. App. 2281 and Title V, Improved Civil Defense Program, as added by P.L. 96-342.

b. Objective/Program Description. This activity was contained in the FY 1981 Budget as Equipment Engineering. Equipment Engineering provides for the development, maintenance and improvement of radiological equipment to meet the requirements of Federal, State and local RADEF systems for nuclear attack preparedness.

Highly specialized sensitive equipment is needed for RADEF at all levels of government to provide the radiological intelligence needed to make decisions affecting the well being of citizens. This activity provides for engineering development, production engineering, pilot production, engineering support, field tests, technical support for procurement, establishment of maintenance requirements, and refurbishment programs for all equipment needed for RADEF systems. Special emphasis is placed on the monitoring of readiness and reliability of equipment in place at State and local levels. This activity also includes the application of this equipment to peacetime nuclear incidents.

c. Changes from Original FY 1981 Estimates. No change.

d. FY 1982 Activity

* Continue technical support of State maintenance and calibration programs and procurement.

* Perform engineering required to establish a mobilization base capability to mass produce low cost RADEF instruments for shelters.

* Accelerate development of a true ratemeter for shelter sets.

* Accelerate development of ultra low cost dosimeters based on color changes in radiosensitive dyes.

* Continue engineering of advanced instrumentation concepts.

The foregoing is to be accomplished by a combination of in-house capabilities and technical support from the National Laboratories such as Oak Ridge National Laboratory in addition to the United States Army Electronic Research and Development Command, the National Bureau of Standards and commericial contracts. The in-house work does not duplicate resources otherwise available and is kept at the level required to provide adequate technical support for FEMA instrumentation requirements.

2. Equipment Procurement

a. Authority. Federal Civil Defense Act of 1950, as amended, Section 201 50 U.S.C. App. 2281 and Title V, Improved Civil Defense Program, as added by P.L. 96-342.

b. Objective/Program Description. This activity was contained in the FY 1981 Budget as Equipment Procurement. Equipment Procurement provides for meeting the States' operational requirements for radiological equipment for nuclear attack preparedness. This equipment is required for shelter monitoring, on-station and mobile surface monitoring, aerial monitoring, the self-protection monitoring by emergency services and vital facilities personnel,

limiting radiation exposure of individual emergency workers, and training and education purposes. This equipment is also available for use, under prescribed conditions, for peacetime emergencies. Procurements are planned and scheduled at the Federal level in timely fashion to meet operational needs. Radiological equipment is not available off-the-shelf and must be procured and distributed well in advance so that sufficient instruments will be available where and when they are needed in the event of nuclear attack.

c. Changes from Original FY 1981 Estimates. No change.

d. FY 1982 Activity

* Procurement of batteries, and repair parts and supplies for the existing inventory of RADEF instruments:

Item	Quantity
Batteries, 1-1/2 V "D" Cell	700,000
Batteries, 22-1/2 V	800
Batteries, special test equipment	400
Cartons	20,000
Expendable items and selected repair parts	13,000

* Provide for the establishment of a mobilization base capability for production of the additional 1,500,000 shelter sets required and an estimated 5,500,000 sets required for postattack recovery operations. This capability would maintain an annual production of about 50,000 sets using production tools capable of scale-up, upon declaration of a national emergency, to an annual output of 3 million sets (about half the total requirement). The annual output from the mobilization base capability would be applied first to the requirement for 1.5 million sets for shelters. Accelerated production during a national emergency would first satisfy the deficit for shelters and then provide for instruments for post attack recovery.

3. Equipment Logistical Support

a. Authority. Federal Civil Defense Act of 1950, as amended, Section 201 50 U.S.C. App. 2281, and Title V, Improved Civil Defense Program, as added by P.L. 96-342.

b. Objective/Program Description. This activity was contained in the FY 1981 Budget as Equipment Logistical Support. Equipment Logistical Support provides for the procurement services, receiving, incoming inspection and acceptance and temporary warehousing and storage of radiological instruments and replacement repair parts, batteries, containers, radioactive material and other items under Equipment Procurement.

Provides for the issue and distribution of these items along with other logistical support to the 100% Federally funded State Maintenance and Calibration facilities funded under Equipment Maintenance and Calibration which maintain over 5 million radiological instruments valued in excess of $50 million (1962 $) purchased and granted to the States. In addition, provides for the periodic surveillance, handling, testing and modernization of radiological instruments from past procurements and disposal of radioactive material that has decayed to below acceptable levels or sealed sources that show evidence of deterioration or removable contamination. Support is also provided for all the radiological defense equipment procured for use in peacetime radiological incidents.

c. Changes from Original FY 1981 Estimates. No changes.

d. FY 1982 Activity. This service is provided under an interagency agreement by the Defense Logistics Agency (DLA). DLA staffs and operates one Federal Depot located at the Defense General Supply Center, Richmond, Virginia. This service has been provided by DLA since 1961 and will be continued indefinitely. Funding will provide for continuation at the same level of activity as FY 1981.

4. Equipment Maintenance and Calibration

a. Authority. P.L. 81-920, Federal Civil Defense Act of 1950, as amended, Section 201 50 U.S.C. App. 2281 and Title V, Improved Civil Defense Program, as added by P.L. 96-342.

b. Objective/Program Description. This activity was contained in the FY 1981 Budget as Maintenance and Calibration of RADEF Equipment. This activity provides Federally funded contracts with each State for the inspection, maintenance, and calibration of over 5 million radiological instruments valued in excess of $50 million (1962 $) purchased and granted to the States. Distributed nationwide these instruments are available for both peacetime and wartime radiological emergencies. Instruments are processed in specially equipped State shops under a readiness and reliability evaluation program which provides for the periodic inspection and sampling of instruments both stockpiled and issued to individual locations.

Highly trained technicians perform special retrofits designed to upgrade performance and modernize equipment most of which was procured during the period 1962-64. This has reduced the maintenance cycle for instruments from the previous 50% per year to 25% per year. An additional benefit is that the technicians can spend the additional time redistributing instrument sets in support of Nuclear Civil Protection Plans and assisting local monitors in performing annual operational checks on the instruments. The technicians also perform the routine maintenance required to keep the inventory continuously in compliance with operational performance requirements. The criteria for these programs are "Operational Readiness" - equipment as stored or stockpiled must be ready to perform as required when needed -- and "Mission Reliability" equipment must be capable of performing when needed for at least a two-week period (maximum calculated shelter stay of intermittent usage). Batteries are replenished every two years.

c. Changes from Original FY 1981 Estimates. No change.

d. FY 1982 Activity. Provides for:

(1) deployment of instruments;

(2) operability testing 57,000 shelter and operational sets of radiological instruments;

(3) reliability and assurance testing of a sampling of 16,000 retrofitted instruments;

(4) calibration of 82,000 high range instruments;

(5) repair an estimated 40,000 instruments;

(6) perform 2,100 tests on FEMA training source sets and other radioactive materials on loan to States to assure their integrity and safety for use;

(7) furnishing replacement batteries to local jurisdiction on a two-year cycle;

(8) retrofitting 15,000 CDV-715 radiological survey meters.

This is a continuing program.

Increased funding for FY-82 provides for an additional 29 man years of effort required to continue complete servicing of instruments on a 4 year cycle and support annual operational checks by local emergency service and volunteer personnel. This will also provide for needed improvements in the distribution of RADEF instrument sets at State and local levels to increase availability of limited numbers of instrument sets to a maximum number of shelterees.

5. Fallout Forecasting

a. Authority 50 U.S.C. App 2251-2297

b. Objective/Program Description. This activity was contained in the FY 1981 Budget as Fallout Forcasting. Fallout forecast data is required by Federal, State, and local emergency management organizations to help predict which areas will have high probabilities of being affected by fallout from nuclear weapon detonation and the approximate fallout arrival times. This data is needed in order to fulfill FEMA's committments for military and National damage assessment. It is needed in connection with the conduct of emergency operations early post-attack and to make advisory information available to the public. It is also required for use in the preparation and execution of tests and exercises at all levels of government.

Because of likely electromagnetic pulse damage to communications systems and other electronic equipment, preparation and distribution of DF (Data for Fallout) data on a daily basis during peacetime is essential. The DF prognosis are routinely furnished to Warning Centers, Regional and State Emergency Management Offices. This service is provided under an Interagency Agreement with the National Weather Service and will be continued indefinitely.

c. Changes from Original FY 1981 Estimates. No changes.

d. FY 1982 Activity. Provides for:

(1) Twice daily collection of direction and speed of the upper winds at National Weather Service (NWS) Observatories.

(2) NWS computer processing of the observed wind data to DF (Data for Fallout) forecast format for 133 locations.

(3) Nationwide distribution of the DF prognosis over FAA Teletypewriter Service "C" twice daily.

(4) During an increased readiness period, NEW will transmit DF prognosis nationwide over the FAA Teletypewriter Service "B" to provide greater distribution.

6. State Radiological Defense Officers (RDOs)

a. Authority. P.L. 81-920, Federal Civil Defense Act of 1950, as amended, 50 U.S.C. APP. 2251-2297 and Title V, Improved Civil Defense Program, as added by P.L. 96-342.

b. Objective/Program Description. This activity was contained in the FY 1981 Budget as State Radiological Defense Officers (RDO's). Radiological Defense Officers (RDOs) are required to develop the operational plans and procedures needed to integrate radiological defense (RADEF) support capabilities required in States and local emergency operations plans. In a crisis period under attack conditions, the RDO interprets fallout effects and provides technical advice to government leaders in Emergency Operation Centers for their use in directing efforts to help the population survive in a fallout environment. They are the keystone of the RADEF system as they are relied on to train some 7 million Radiological Monitors (RM's) during a crisis. States and localities have been reluctant to fund RDO positions claiming that radioactive fallout is a national defense problem and therefore the Federal Government should fund these positions. After nearly two decades of providing matching funds for support of State (and local) civil defense staffs, only 19 States have a full-time Radiological Defense Officer (RDO), with 11 of the 19 RDOs being in the 37 counterforce States. Furthermore, it has not been possible to attain desired RDO performance under the matching fund approach. For example, the matching fund State RDOs have not developed adequate local RADEF capabilities (e.g., training local RDOs, assuring that instruments are ready for use in shelters, training Radiological Monitors, assisting in development of RADEF annexes for local emergency plans, or exercising plans). Considering the complex nature and lethal aspects of the fallout threat to the nation's population and the requirement to have an inplace RADEF support capability prior to a crisis period, providing these personnel is essential. This activity provides full funding for an RDO at State level to provide leadership and continuity to State and local radiological preparedness activities.

c. Changes from Original FY 1981 Estimates. No change

d. FY 1982 Activity. Provides for:

(1) Development of 52 Statewide RADEF Program Management Systems.

(2) Development/Update of 52 State RADEF Support Systems.

(3) Development of 400 local RADEF Support Systems.

(4) Test/Exercise 8 State and 123 local RADEF Support Systems.

FY 1981 funding provided for one State RDO in 36 of 37 counterforce states. FY 1982 funding will provide for one full-time State level RDO in each State, D.C. and Puerto Rico. This will enable all States over an eight year period of time to develop a RADEF Program to provide plans, procedures, instrumentation, facilities and trained personnel combined into a complete operational system that can function to minimize the effect of the radiation hazards in the event of a nuclear attack capable of functioning in four time periods as follows: Today's norm, crisis, the survival period, and the recovery period.

7. Operational Guidance

a. Authority. P.L. 81-920, Federal Civil Defense Act of 1950, as amended, 50 U.S.C. App. 2251-2297 Section 201 and Title V, Improved Civil Defense Program as added by P.L. 96-342, Section 502.

b. Objective/Program Description. RADEF Systems at all levels of government, like all emergency preparedness systems, must be effective when called upon. Civil Defense systems must perform adequately the first time they are used in order to enhance the possibility of survival of citizens. This is a unique and very difficult requirement. An essential ingredient is the availability of sound, simple operational guidance. This activity provides for the development, improvement

and updating of the RADEF portions of this guidance.

This activity also provides for the technical guidance required for the dual use of RADEF systems for response to technological hazards including peacetime radiological emergencies.

c. Changes from Original FY 1981 Estimates. No funds were budgeted in FY 1981 for this activity.

d. FY 1982 Activity.

o Provide for improvement and updating of the following civil preparedness operational guidance: Handbook on Radiation Safety in Shelters; Handbook for Radiological Monitoring for Emergency Services and Direction and Control; Handbook for Aerial Radiological Monitors; Handbook for Fallout Forecasting; and the Radiological Defense Manual.

o Update guidance on the use of RADEF instruments for peacetime emergencies.

o Develop the technical portion of the operational guidance required by States and localities for preparedness for emergencies involving the release of hazardous materials.

8. Program Staff

a. Authority. Federal Civil Defense Act of 1950, as amended, 50 U.S.C. App. 2251-2297, and Title V, Improved Civil Defense Program, as added by P. L. 96-342.

b. Objective/Program Description. Radiological Defense presents complex technical problems. Therefore, this activity must be managed and executed by a team of competent engineers, scientists, and technicians. Physical scientists and health physicists at headquarters and in the regions provide the leadership for achieving the requisite level of preparedness at all levels of government. Primary emphasis is placed on local readiness to assure the RADEF support that would be required by citizens in shelters, emergency services and vital facilities, direction and control and other civil preparedness programs.

This program also supports a Radiological Test Facility which assists the States in caring for the existing inventory of radiological equipment and which is responsible for the development and procurement of new radiological equipment.

c. Changes from Original FY 1981 Estimates. $654,000 for staff and administrative expenses have been added to this activity. This is an internal adjustment and does not reflect an increase in staffing or budget. However, this amount has been decreased by $48,000 due to President Reagan's March 1981 reduction.

d. FY 1982 Activity.

o Continue establishment and improvement of State and local radiological preparedness capabilities - Headquarters and Regions.

o Continue engineering development and support of radiological instrument requirements for civil defense and peacetime radiological emergencies at the Radiological Test Facility.

o Continue development and updating of guidance for radiological defense for nuclear attack and technological hazards.

o Continue support of technical training programs for nuclear attack and technological hazards.

STATE AND LOCAL PREPAREDNESS
(In thousands of dollars)

D. Nuclear Attack Civil Preparedness

	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
Plans & Preparedness						
State and Local Civil Protection and Planning Assistance		($11,629) [a]	($ 15,489) [b]			
1. Nuclear Civil Protection	117	$ 5,039	$ 7,110	$ 6,693	$ 8,260	$ + 1,567
2. National Shelter Survey	118	2,239	2,687	2,687	3,677	+ 990
3. Shelter Marking	120		100	100	500	+ 400
4. Shelter Stocking	120		100	100	400	+ 300
5. Packaged Ventilation Kits	121		100	100	200	+ 100
6. Crisis Shelter Upgrading	121		325	325	400	+ 75
7. Emergency Instructions to Public	122		0	0	200	+ 200
8. Program Staff	122	($ 4,351) [c]	(5,067) [d]	5,232 [e]	5,390	+ 158
BUDGET AUTHORITY		$ 7,278	$10,422	$15,237	$19,027	$ + 3,790
BUDGET OUTLAYS		$11,100	$13,874	$13,980	$17,246	
PERMANENT POSITIONS - HEADQUARTERS		23	29 [f]	27	27	
- REGIONS		87	94	85	92	
TOTAL WORKYEARS		111	123	108	118	

a/ Total of State and Local Civil Protection and Planning Assistance is $26,971 thousand.
b/ Total of State and Local Civil Protection and Planning Assistance is $42,542 thousand.
c/ Total of Program Staff is $18,573 thousand.
d/ Total of Program Staff is $22,095 thousand.
e/ Total of Program Staff is $22,006 thousand.
f/ Permanent positions and workyears are shown; however, the budget justification did not reflect personnel breakouts at this level.

Changes from Original FY 1981 Estimate

o	$ - 417,000	PL96-526 reduction
o	+ 5,067,000	for staff expenses from State and Local Civil Protection Planning Assistance
o	+ 165,000	October 1980 pay raise
	$ + 4,815,000	Net increase

1. Nuclear Civil Protection Planning

a. Authority. Section 201, Federal Civil Defense Act of 1950 (50 USC App. (2281), as amended; Section 702(a), Public Law 96-342, 94 Stat. 1088; Executive Order 12148 (July 20, 1979).

b. Objective/Program Description. Under the Nuclear Civil Protection (NCP) planning program, plans are developed to protect the population either by relocation (evacuation) over a period of several days during an intense international crisis or in-place, if time or circumstances preclude crisis relocation.

Crisis relocation plans (CRPs) provide for the evacuation of areas assumed, for planning purposes, to be at high risk to the direct effects of a nuclear attack, and the provision of food, temporary lodging and fallout shelter for evacuees and residents in host areas. Plans provide for key workers to commute to the risk areas during the evacuation period, to continue operation of essential industries and services.

In-place protection plans provide for sheltering the population in the best available space at or near places of residence, should time or circumstances preclude crisis relocation. Crisis evacuation is the preferred option because of its great lifesaving potential (total survival of about 80 percent in a heavy mid-1980's attack on both military and urban/industrial targets).

NCP planning is an essential element contributing to the survivability of the American people in the event of a nuclear war. The civil defense policy enunciated by the President in Presidential Directive (PD) 41 in September 1978, requires that the U.S. civil defense program achieve a nationwide capability for crisis relocation (including both relocation plans and the supporting systems needed to realize the full lifesaving potential of relocation), thereby enhancing deterrence and stability and reducing the possibility of Soviet coercion during a crisis. Crisis relocation plans, when fully developed for all U.S. risk and host areas, and when all operational supporting systems are fully developed, have the potential to prevent some 31 million fatalities.

Current "initial" CRPs focus on moving evacuees out of risk areas and on their reception and care in host areas. During Fiscal Year 1981 emphasis was placed on accelerating planning for counterforce areas (areas associated with our strategic retaliatory forces such as SAC bases, intercontinental ballistic missile sites, and ballistic missile submarine ports). Planning for counterforce areas will be completed in Fiscal Year 1982 and planning for the large metropolitan areas will be commenced.

Nuclear Civil Protection planning is conducted primarily by contracts with the States, who hire professional planners to develop State-level plans, as well as plans for local risk and host area jurisdictions, for both NCP options--crisis relocation and in-place protection. To develop a rudimentary capability for crisis relocation, should the need arise prior to completion of more comprehensive plans, local jurisdictions receiving Emergency Management Assistance (formerly Personnel and Administrative) funds in Fiscal Year 1981 were directed to prepare "mini" CRPs. These plans cover only the most critical of the elements addressed in full-scale CRP. In a risk area, for example, a "mini" CRP will focus on expediting movement of automobiles out of the area, whereas a full-scale CRP will also include provision of bus transportation as needed, as well as details in a number of other areas not covered in the "mini" plan. The "mini" CRPs will thus provide an initial relocation capability, as well as a starting point for the more comprehensive and effective plans developed by a professional planner. The development of "mini" CRPs will continue in FY 1982 and it is expected that by end-FY 1982, most risk and host jurisdictions will be covered by either a "mini" CRP or a more comprehensive plan prepared by a State planner.

c. Changes from Original FY 1981 Estimates. Funds in the amount of $417,000 were deleted from this program as a result of the FY 1981 appropriation percentage reduction. However, because of delays in the appropriation process there was no impact on the number of new planners to be added to the NCP planning effort in FY 1981. The same number of planners (i.e., 60 planners) were hired but for a shorter period of time.

As a result of discussions with the Department of Defense, 18 counterforce target areas have been added and 6 areas deleted from the 51 counterforce areas that were identified in discussions of the Fiscal Year 1981 budget. Thus, the new areas bring the current total to 63 counterforce locations.

d. FY 1982 Activity. All States are currently involved in NCP planning. During FY 1982, priority will be given to completing full scale CRP's for areas adjacent to the 63 counterforce areas (i.e., locations of the U.S. strategic retaliatory forces) and for development of "mini" CRPs for areas where full-scale CRPs have not been completed. Thus, it is expected that most risk and host jurisdictions will be covered by either a "mini" CRP or a more comprehensive full-scale CRP by the end of the Fiscal Year. A start will also be made on developing CRPs for the largest cities where some 55 percent of the risk population resides. Funds requested will provide for a total of 205 NCP planners (the same as in FY 1981).

Status of NCP Planning

	C.F. Areas			Nationwide		
As of End:	FY 80	FY 81	FY 82	FY 80	FY 81	FY 82
Initial CRPs.....	39%	65%	95%	16%	24%	34%
Initial CRPs plus in-place plans.....	30%	40%	54%	10%	14%	18%
	FY 80	FY 81	FY 82			
NCP Planner Positions Supported.....	145	205	205			

2. Shelter Survey

a. Authority. Section 201 Federal Civil Defense Act of 1950 (50 USC App. 2281 as amended by Section 702(a), Public Law 96-342, 94 Stat. 1088; Executive Order 12148 (July 20, 1979).

b. Objective/Program Description. The Shelter Survey Program was started in late 1961 to locate and mark potential public fallout shelter space for use in event of an attack. To qualify for use, each shelter was required to meet specific protection standards and accommodate 50 or more person.

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During FY 1973, shelter surveys were expanded to consider shelter requirements for "all effects," that is, to identify shelters needed for the most likely peacetime or attack hazard that each community would face. Emphasis was placed on surveying buildings already in the inventory and selected new buildings, plus all schools and hospitals not previously included, for resistance to direct weapons effects (fire, blast, etc.).

The host area shelter survey, started in FY 1975, supports crisis relocation planning by locating temporary lodging facilities and upgradable fallout shelter in relocation host areas. Buildings that do not meet public shelter standards, but which could serve as temporary lodging for risk area evacuees, are analyzed for their potential for fallout shelter upgrading, that is, improving protection by placing earth on roofs and against exposed lower story walls. Through such actions, implemented during a period of crisis, the fallout protection of selected buildings could be improved to meet minimum standards for public fallout shelters.

The shelter surveys are accomplished primarily through use of specifically qualified college students working under the direct supervision of government engineers. A nationwide training effort is conducted by FEMA to qualify such students as shelter survey technicians. The Office of Personnel Management has granted FEMA permission to hire engineering and architectural students who successfully complete the courses conducted. This program has been very cost effective and has been in use since 1970.

c. Changes From Original FY 1981 Estimates. None

d. FY 1982 Activity. In Fiscal Year 1982, funds will be used to conduct shelter surveys in host areas only, nationwide. (Surveys in counterforce host and risk areas will have been mostly completed by end FY 1981.) A total of 378 student positions will be utilized. Approximately 328 of these positions will be summer hires and the remainder will be year-round cooperative education positions (students who work three months, then attend school three months, and so on). The students will be supervised by Regional staff (i.e., government engineers) supplemented by approximately 10 supervisors from other sources (i.e., under contract) during the summer months.

	Actual 1980	Estimates 1981	Estimate 1982
Number of Co-op Students	35	45	50
Number of Summer-Hire Students	201	220	328
Number of Co-op Students (equivalent work-years)	35	45	50
Number of Summer Hire Students (equivalent work-years)	50	55	82
Number of Facilities to be Surveyed:			
Risk Areas	4,500	6,300*	—
Host Areas	116,500	209,000	320,000
Total	121,000	215,300	320,000

*These facilities will be located in counterforce areas.

Shelter Survey Status (percent completion)

As of End:	CF Areas FY 81	Nationwide FY 80	FY 81	FY 82
Host-Areas Survey.....	100%	53%	66%	87%
All-Effects Survey (Risk Areas).....	100%	17%	19%	19%

3. Shelter Marking.

a. Authority. Section 201 Federal Civil Defense Act of 1950 (50 USC App. 2281), as amended; Section 702(a), Public Law 96-342, 94 Stat. 1088; Executive Order 12148 (July 20, 1979).

b. Objective/Program Description. The goal of this program is to mark public fallout shelters in support of Nuclear Civil Protection planning. The shelters to be marked are identified through the program and are limited to those with a protection factor of 40 and an occupancy of 50 persons or more. Marking consists of posting distinctive shelter signs near exterior entrances to guide people to shelter. This program is being resumed after a lapse of several years because of funding limitations. Marking is to be accomplished by State and local emergency management agencies. Although the overall objective is to mark all identified public shelters planned for use, the first priority will go to those in counterforce areas. Marking a facility costs approximately $40 and is accomplished through contractual arrangements.

c. Changes from Original FY 1981 Estimates. None

d. FY 1982 Activity. The $500,000 requested will enable marking 8,400 facilities. First priority will be in those States that have counterforce areas.

4. Shelter Stocking

a. Authority. Section 201 Federal Civil Defense Act of 1950 (50 USC App. 2281), as amended; Section 702(a), Public Law 96-342, 94 Stat. 1088; Executive Order 12148 (July 20, 1979).

b. Objective/Program Description. This program provides for the stocking of public fallout shelters with essential survival supplies, including collapsible water containers, sanitation kits, and commodes. Adequate stocking of shelters is necessary for the survival of shelter occupants following a nuclear attack. There should be sufficient provisions to allow shelterees to remain in protected facilities until local officials advise that it is safe to emerge. The supplies will cost approximately $150 for 100 spaces (persons) and include 1 water container, 2 sanitation kits, and 20 folding commodes. A definitive storage plan will be formulated prior to procurement of the shelter stocks or placement in individual shelters. Because food and medical supplies are not as critical to short-term survival, the stocking of these items will remain a crisis-activiated program, and local governments are to develop procedures for use during periods of emergency readiness.

c. Changes from Original FY 1981 Estimates. None

d. FY 1982 Activity. The $400,000 requested will enable the stocking of approximately 270,000 spaces with the above provisions for counterforce areas, which are the first priority.

5. Packaged/Ventilation Kits

a. Authority. Section 201, Federal Civil Defense Act of 1950 (50 USC App. 2281), as amended; Section 702(a), Public Law 96-342, 94 Stat. 1088; Executive Order 12148 (July 20, 1979).

b. Objective/Program Description. This program provides for the development and procurement of packaged shelter ventilation kits (PVKs) in order to make maximum use of fallout protected space in existing facilities. Inadequate ventilation effectively reduces shelter capacity, especially in below ground shelter areas. Installation of ventilation equipment thus enables shelters to accommodate more people. The PVKs will cost approximately $140 per unit when mass produced.

c. Changes from Original FY 1981 Estimates. None

d. FY 1982 Activity. Funds will be used to provide for engineering development, production engineering, and technical support for procurement prior to a mass production scheduled for FY 1983 and succeeding years.

6. Crisis Shelter Upgrade Planning

a. Authority. Section 201, Federal Civil Defense Act of 1950 (50 USC App. 2281), as amended, Section 702(a), Public Law 96-342, 94 Stat. 1088; Executive Order 12148 (July 20, 1979).

b. Objective/Program Description. Crisis upgrade planning provides for improving the lifesaving potential of crisis relocation by developing detailed operational plans to produce additional shelter in host areas on an emergency basis, by pre-planned actions that would be taken during a period of acute crisis. Developing fallout shelter (to an average Protection Factor of 50) for evacuees and host area residents is essential to realizing the potential for survival in crisis evacuation to the smaller towns and rural areas. Civil defense effectiveness analyses indicate that in a large-scale, mid-1980s attack, crisis action to produce fallout protection in host areas will add about 17 million survivors, beyond those provided by movement to existing facilities in host areas.

Research commenced in earlier fiscal years has produced methodologies and guides on detailed planning for crisis actions to produce additional fallout protection in host areas by improving existing structures; for example, piling earth about 6 feet high along exterior walls and adding about 12 inches of earth overhead. Plans must be prepared on a building-by-building basis, including plans to add supports to overhead spans to support the weight of the earth. Plans will also provide for mobilizing earthmoving equipment, procuring material needed, and managing the intensive effort needed to provide upgraded shelter for over 140 million people during a relatively few days during a period of acute crisis. Such plans will enhance the CRPs that have been or will be developed.

c. Changes from Original FY 1981 Estimates. None

d. FY 1982 Activity. Funds requested in FY 1982 will permit 10 crisis upgrade planners to be added to specific States (one planner in one State in each of the 10 FEMA Regions) to test the crisis shelter upgrading guidance manuals developed in prior year Research and Systems Development projects. It is envisioned that this pilot planning effort will be initiated in those States having a counterforce area with a completed CRP. Detailed crisis shelter upgrade planning will commence and CRPs will be modified as required to include the detailed plans and operational systems required to effect the shelter upgrading in a crisis.

7. Emergency Instructions to the Public

a. Authority. Section 201, Federal Civil Defense Act of 1950 (50 USC App. 2281), as amended; Section 702(a), Public Law 96-342, 94 Stat. 1088; Executive Order 12148 (July 20, 1979).

b. Objective/Program Description. Effective protection depends, in the last analysis, upon individuals following specific guidance and instructions based on local plans. Citizens in risk areas need to know to what host areas they should move, what they should take with them, what routes to take to host areas, and what to do upon arrival. If crisis relocation has not been directed, citizens need to know what actions to take for in-place protection. To ensure that such emergency public information is readily available to most of the risk and host area population in time of emergency, it is proposed to incorporate specific guidance on "where to go and what to do" in local telephone directories, where it will be available to nearly all citizens on short notice. Pilot projects conducted during Fiscal Year 1981 have indicated the feasibility and desirability of such an approach.

Emergency Instructions to the Public was not included in the FY 1981 budget.

c. Changes from Original FY 1981 Estimate. None

d. FY 1982 Activity. Funds requested will permit printing of emergency instructions to the public in approximately 200 different telephone directories. Priority will be given to publishing such information in counterforce risk area directories.

8. Program Staff.

a. Authority. Section 201, Federal Divil Defense Act of 1959 (50 USC App. 2281), as amended; Section 702(a), Public Law 96-342, 94 Stat. 1088; Executive Order 12148 (July 20, 1979).

b. Objective/Program Description. This activity provides for the program staff and administrative expenses associated with the Nuclear Attack Civil Preparedness activities described in Items 1-7 above.

c. Changes from Original FY 1981 Estimates. $5,232,000 for staff and administrative expenses. This is an internal adjustment and reflects the realignment of federal preparedness and state and local preparedness activities.

d. FY 1982 Activity. In FY 1982, funds will be used to provide for staff and administrative expenses associated with the Nuclear Attack Civil Preparedness activities as follows:

	Program Staff-FY 1982					
	Work Years			Funding Level ($000)		
	HQ	Region	Total	HQ	Region	Total
1. Nuclear Civil Protection Planning	11.7	27	38.7	$443	$1,188	$1,631
2. National Shelter Survey	13	65	77	826	2,856	3,682
3. Shelter Marking	0.1	0	0.1	3	0	3
4. Shelter Stocking	0.1	0	0.1	3	0	3
5. Packaged Ventilation Kits	0.1	0	0.1	3	0	3
6. Crisis Shelter Upgrade Planning	1.0	0	1.0	34	0	34
7. Emergency Instructions to Public	1.0	0	1.0	34	0	34
TOTAL	27	92	118	1,346	4,044	5,390

STATE AND LOCAL PREPAREDNESS
(In thousands of dollars)

B. Mobilization Designees

	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
Plans & Preparedness						
State and Local Civil Protection and Planning Assistance						
Mobilization Designee Program		0	$ 2,355			
1. Mobilization Designees	125			$ 2,355	0	$ - 2,355
BUDGET AUTHORITY		0	$ 2,355	$ 2,355	0	$ - 2,355
BUDGET OUTLAYS			$ 2,120	$ 2,120		
PERMANENT POSITIONS - HEADQUARTERS		0	0	0	0	
TOTAL WORKYEARS - REGIONS		0	0	0	0	
		0	0	0	0	
		0	0	0	0	

Changes from Original FY 1981 Estimate

None

1. Mobilization Designees

a. Authority. DoD Directive 1215.6, dated January 31, 1974.

b. Objective/Program Description. This program strengthens governmental emergency capabilities by providing military augmentation for civil preparedness at the Federal, State, and local levels of government. MOBDES assist in the completion or revision of emergency operational plans. The military reserve personnel serve as specialists on the civilian staffs in time of emergency; in nonemergency periods they aid the agencies in preparedness planning activities.

c. Changes from Original FY 1981 Estimates. None

d. FY 1982 Activity. No funds are requested for FY 1982, although talks are ongoing with Department of Defense for the development of a new program of military reserve augmentation to meet FEMA mobilization requirements.

STATE AND LOCAL PREPAREDNESS
(In Thousands of Dollars)

F. Emergency Operating Centers

	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
Plans and Preparedness						
State and Local Civil Protection and Planning Assistance						
Emergency Operating Centers		0	$ 5,500			
Program Staff			(842) a/			
1. Emergency Operating Centers	127			$ 5,500	$ 6,545	$ + 1,045
2. Program Staff	129			842	842	0
BUDGET AUTHORITY		0	$ 5,500	$ 6,342	$ 7,387	$ + 1,045
BUDGET OUTLAYS			$ 5,445	$ 5,445	$ 6,707	
PERMANENT POSITIONS - HEADQUARTERS		6	6 b/	6	6	
- REGIONS		15	15	15	15	
TOTAL WORKYEARS		20	21	20	20	

Changes from Original FY 1981 Estimates

- o $+842,000 for Staff and associated expenses

a/ The total of this item is $22,095 thousand.
b/ Permanent positions and workyears are shown; however, the budget justification did not reflect personnel breakouts at this level.

1. Emergency Operating Centers

a. Authority. Federal Civil Defense Act of 1950, Section 201, as amended, 50 U.S.C. App. 2281; P.L. 96-342, Section 702(a), and 703(a).

b. Objective/Program Description. The objective of the Emergency Operating Center (EOC) program is to enhance effective, reliable, and survivable direction and control capabilities of State and local governments. This objective will be achieved by the continued establishment, development and upgrading of EOCs in States, State areas and local jurisdictions.

FEMA criteria and standards address four categories which collectively provide assurance of Direction and Control capability through the EOC program. These categories and their sub-elements are listed:

Facility Features	Communications	Plans and SOPs	Performance and Use
PF 100	Primary Oper. Forces	Damage Assessment	Day-to-Day Use
Emergency Generator	Other Forces	Civil Defense Ops.	Sys. Activ. for
14 day fuel supply	Broadcast Media	Continuity of Govt.	Emergency
Ventilation	Higher level Author.	Direction&Control	
Water Supply	Adjacent Jurisdiction	Police Operations	
Sanitation Kits		Fire Operations	
Displays		Rescue Operations	
EMP Protection		Medical Operations	
		Public Works Operations	
		Welfare Operations	
		RADEF Operations	
		Warning Operations	
		Emergency Operations	

There are presently in excess of 200 State and State area, and 3,000 local facilities that serve as Emergency Operating Centers. These facilities vary in operational capabilities. They range from substandard to those that are fully equipped operational EOCs with a total operational capability. The following shows local EOC facility requirements and deficiencies and local EOC operational capabilities and deficiencies:

National Profile

	Risk	Host	Risk/Host	Non Risk/Non Host	Total
Total Reporting Areas	1581	2605	483	925	5594
Existing Facilities Reported	953	1356	349	352	3010

Profile of Selected Required Local EOC Capabilities

Selected EOC Criteria	Risk 1/ Capab.	Risk 1/ Defic.	Host 1/ Capab.	Host 1/ Defic.	Non Risk/Host Capab.	Non Risk/Host Defic.	Total Capab.	Total Defic.
Facility Features								
PF 110 or Greater	NA	NA	800	2046	180	745	980	2791
Emergency Generator	886	937	996	1850	228	697	2110	3484
14 Day Fuel Supply	732	1091	773	2073	158	767	1663	3931
EMP Protection	28	1795	19	2827	6	919	53	5541
Communications to:								
Primary Forces	936	887	1210	1636	239	686	2385	3209
Broadcast Media	382	1441	454	2392	81	844	917	4677
Plans and SOP								
Direct.&Control SOP	986	837	1256	1590	308	617	2550	3044
Contin. of Gov't. Plan	368	1455	429	2417	68	857	865	4729
Warning SOP	1056	767	1363	1483	329	596	2748	2846
Performance and Use								
Day-to-Day Use	668	1155	982	1864	142	783	1792	3802
Ops. Plan Test&Exer.	947	876	1295	1551	271	654	2513	3081
Sys. Activ. for Emerg.	741	1082	919	1927	152	773	1812	3782

1/ Includes 50 percent of existing facilities reported in areas that are combined Risk/Host.

c. Changes from FY 1981 Estimates. None

d. FY 1982 Activity. This program provides for Federal technical and financial assistance in the development of Emergency Operating Centers, and an operational capability in support of State and local direction and control requirements. The program accounts for the distinctive requirement of host areas, as well as risk area direction and control. Because of the cost effectiveness of Mobile Command Centers, as well as their utility in facilitating the movement of persons from the risk areas to host areas, they will be required before any fixed EOC in a risk area can receive Federal financial assistance.

While all reporting areas require direction and control capability, FEMA will not encourage or support funding an EOC facility for all reporting jurisdictions. The capability can be achieved more realistically by having some areas served by combined EOC activities. In FY 1982 FEMA, in coordination with State and local government will be able to define the total requirements for EOC facilities based on refinements to the State EOC Development Plans required for the first time in FY 1981.

The FY 1982 activity will address deficiencies shown in the table in item "b" above, consistent with established FEMA criteria and priorities.

2. Program Staff

a. Changes from Original FY 1981 Estimates. An increase of $842,000 is for Staff and associated expenses.

b. FY 1982 Activity. FEMA Headquarters staff will review the FY 1981 EOC activity for compliance with initial year policy, criteria and guidance; review EOC requirements for FY 1982 activity; and allocate monies for Regional distribution on the basis of established priorities.

FEMA regional staffs will establish EOC priorities based on State and local requests and requirements; provide operational, technical and financial assistance to State and local governments; and oversee implementation of the EOC program in areas within its region, and meet the established goals agreed on by FEMA Headquarters.

STATE AND LOCAL PREPAREDNESS
(In thousands of dollars)

G. Supporting Activities

PROGRAM HIGHLIGHTS	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
Plans and Preparedness						
State and Local Civil Protection and Planning Assistance						
Red Cross Advisors		$ 270	$ 270			
Program Staff		($ 759) a/	($ 541) b/			
1. Red Cross Advisors	131			$ 270	$ 270	$ 0
2. General Aviation Support	131			0	0	0
3. Manual Damage Estimation	131			0	0	0
4. Program Staff	132			27	30	+ 3
BUDGET AUTHORITY		$ 270	$ 270	$ 297	$ 300	$ + 3
BUDGET OUTLAYS		$ 214	$ 267	$ 291	$ 251	
PERMANENT POSITIONS - HEADQUARTERS		2	2 c/	0	0	
- REGIONS		15	15	0	0	
TOTAL WORKYEARS		16	17	0	0	

Changes from Original FY 1981 Estimates

- o $+541,000 for staff and associates expenses
- o -514,000 for President Reagan's March 1981 reduction

$+ 27,000 Net Increase

a/ The total of this item is $18,753 thousand
b/ The total of this item is $22,095 thousand
c/ Permanent positions and workyears are shown; however, the budget justification did not reflect personnel breakouts at this level.

1. Red Cross Advisors

a. Authority. Federal Civil Defense Act of 1950, as amended, Sections 201 and 405, 50 U.S.C. App. 2281, 2257.

b. Objective/Program Description. A resident Red Cross Advisor is provided at each FEMA Regional Office through contractual arrangements between FEMA and the American National Red Cross (ANRC). The Advisors provide expertise not otherwise available in FEMA and assist in the development of mass care-related plans and activities such as emergency welfare planning, advice and assistance to State and local governments, medical support activities, welfare-related aspects of Nuclear Civil Protection Planning, liaison with other community action organizations, and assistance in disaster relief and recovery operations.

c. Changes from FY 1981 Estimates. None.

d. FY 1982 Activity. Principal activity will include assisting in the reception and care planning aspects of Nuclear Civil Protection Planning and in promoting, developing, and conducting a prototype shelter management training course.

2. General Aviation Support

a. Authority. Federal Civil Defense Act of 1950, as amended, 50 U.S.C. App. 2251-2297; Sections 702(a), P.L. 96-342.

b. Objective/Program Description. The objective is to maintain an adequate organization for general aviation aircraft at the State and local level of governments to support survival and recovery operations during peacetime and war-caused emergencies. The State and Regional Disaster Airlift (SARDA) fleet will operate a cooperative endeavor between aircraft owners and operators working with Federal, State and local authorities. The State CAP Wing provides a nucleus for the SARDA organization and is assigned a role in the execution of Continental Airborne Reconnaissance for Damage Assessment (CARDA).

c. Changes from Original FY 1981 Estimates. None

d. FY 1982 Activity. FEMA will provide assistance to the DoT (FAA and OET) in the development of guidance to State and local governments for the management of general aviation aircraft under the State and Regional Disaster Airlift (SARDA) organization. Also, assistance will be provided to the DOD (USAF) on the development and implementation of guidance on the use of Civil Air Patrol (CAP) to support USAF non-combat missions, including support to the Continental Airborne Reconnaissance for Damage Assessment (CARDA). FEMA will continue to maintain close liaison and coordination with Headquarters CAP in the development of guidance which is provided to the States through Emergency Management and to State CAP/Wings and units through the CAP organization. FEMA will assist the USCG and other signatories to the National Search and Rescue Plan in the development of national policy and guidance concerned with sea and inland search and rescue. In order to maintain aerial radiological monitoring capability in each State, radiological instruments will be provided and maintained through the Radiological Defense Program. During the year the Regions will provide assistance to their respective States in updating CAP/State EM agreements and SARDA plans, and will assist the USAF/CAP Liaison Regions to develop, administer, and evaluate annual CAP effectiveness tests held by each of the 50 CAP wings. The States will be encouraged to develop SAR agreements between the Air Force Rescue Coordination Center (AFRCC) and their State EM organizations.

3. Manual Damage Estimation

a. Authority. Federal Civil Defense Act of 1950, as amended, and 50 U.S.C. App. 2251-2297.

b. Objective/Program Description. The objective is to maintain a Manual Damage Estimation System as a backup for the FEMA Computer Damage Estimation System and as the primary system for the State. The tools provided for making damage estimates consist of combined State maps and resources data printed on Diazo paper (scale 1:500,000), casualty and damage templates scaled for nuclear effects of air and ground burst for various weapon yields, and casualty and damage worksheets. The system now provides a means for estimating possible damage in the following categories: population, housing units, AM and FM radio stations and TV stations, and emergency operating centers.

c. Change from Original FY 1981 Estimates. None.

d. FY 1982 Activity. Damage estimation procedures will be exercised by FEMA Regions in conjunction with the Test and Exercise Program. The Region will provide assistance in the training of other Federal agency representatives having emergency assignments in the Federal Regional Center, when required. Also, the Regions will provide assistance to their respective States in training and exercising of their staffs. FEMA will provide updated material through its Computer Center, as required.

4. Program Staff

a. Authority. Federal Civil Defense Act of 1950, as amended, 50 U.S.C. App. 2251-2297.

b. Objective. Provide assistance in the reception and care planning aspects of Nuclear Civil Protection planning and promoting, developing and conducting a prototype shelter management course. Provide assistance to the DoT (FAA and OET) in the development of guidance to State and local governments for the management of general aviation aircraft under the State and Regional Disaster Airlift (SARDA) organization. Provide assistance to DoD on the development and implementation of guidance on the use of the Civil Air Patrol (CAP) to support non-combatant USAF missions. Provide assistance to States in updating CAP/State EM agreements and SARDA plans and assist USAF/ CAP Liaison Regions in the area of CAP effectiveness testing.

c. Changes from Original FY 1981 Estimates. This activity will be carried out by staff primarily associated with other program elements to the extent time and priorities permit. Funds shown in the program staff are for travel. Increase in travel is necessary to perform these functions.

d. FY 1982 Activity. At the national level the activity will be carried out by issuance of guidance and policy, and at the Regional level by providing assistance and guidance to States.

STATE AND LOCAL PREPAREDNESS
(In thousands of dollars)

H. Communications and Warning Policy

PROGRAM HIGHLIGHTS	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
Plans and Preparedness						
State and Local Civil Protection and Planning Assistance						
Program Staff		($ 841) a/	($ 895) b/			
Warning and Communications						
Broadcast Station Protection Program		(265)	(1,121)			
1. Communications and Warning Planning	134			$ 0	$ 75	$ + 75
2. Emergency Broadcast System Policy and Plans	134			0	50	+ 50
3. Emergency Public Information	135			0	100	+ 100
4. Broadcast Station Protection Program	135			1,121	3,366	+ 2,245
5. Program Staff	136			841	898	+ 57
BUDGET AUTHORITY		($1,106)	($2,016)	$1,962	$4,489	$+ 2,527
BUDGET OUTLAYS				$1,776	$4,068	
PERMANENT POSITIONS - HEADQUARTERS		9	10 c/	7	7	
- REGIONS		8	8	8	8	
TOTAL WORKYEARS		18	18	14	14	

Changes from Original FY 1981 Estimates

o $+1,121,000 from Warning and Communications for Broadcast Station Protection program
+ 895,000 from State and Local Civil Protection Planning and Assistance, Program Staff
- 54,000 President Reagan's March 1981 reduction
$+1,962,000 Internal adjustment

a/ The total of this item is $18,573 thousand.
b/ The total of this item is $22,095 thousand.
c/ Permanent positions and workyears are shown; however, the budget justification did not reflect personnel breakouts at this level.

1. Communications and Warning Planning

a. Authority. Federal Civil Defense Act of 1950, as amended, 50 U.S.C. App. 2251-2297; PL 96-342, Title VII.

b. Objective/Program Description. This program provides policy and guidance to State and local governments in the areas of emergency communications and warning, and criteria for reliable, survivable emergency communications systems.

c. Changes from Original FY 1981 Estimates. None

d. FY 1982 Activity. The following are the FEMA Headquarters and regional staff activities to be accomplished in FY 1982:

o The development and issuance of program policy and guidance to State and local governments.

o Technical assistance to State and local governments in the development of their communications and warning plans.

o Financially support an analysis of 20 State level emergency communications and warning systems, determine their capabilities and areas in need of enhancement, and develop prototype design improvements.

o Acquisition of state of the art information on emergency communications and warning systems.

2. Emergency Broadcast System (EBS)

a. Authority. Federal Civil Defense Act of 1950, as amended, 50 U.S.C. App. 2251-2297; PL 96-342, Title VII; Reorg. Plan #3 of 1978, EO 12127, 3/31/79.

b. Objective/Program Desciption. The Emergency Broadcast System (EBS) provides the President of the United States with an expeditious method of communicating with the American public in the event of war, threat of war, or grave national crisis. The State and local portion of the EBS warning system is used during day-to-day emergencies by providing adequate coverage of the general population to ensure minimal loss of life and property in the event of an enemy attack or a natural or man-made disaster.

In the event of an enemy attack, EBS is used in supporting Crisis Relocation Planning (CRP) by disseminating a direct warning in one of three time periods with regard to crisis relocation status; (1) before relocation has started, (2) while relocation is in progress, and (3) after relocation has been accomplished.

FEMA supports EBS by providing technical assistance and guidance to State and local governments in operational area planning.

c. Changes from Original FY 1981 Estimates. None.

d. FY 1982 Activity.

o Provide funding to selected States to develop a prototype test of the EBS.

o Provide support toward the completion of the remaining 211 local operational area plans and 34 State plans.

o Development of EBS policy and guidance, based on the examination of the quality of plans after testing the system's actual use.

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o Arrange for State and local civil preparedness officials to participate in the operational area EBS planning.

Unit(s) of Measure	FY 80 (555 EBS Areas)	FY 81 (565 EBS Areas)	FY 82 (566 EBS Areas)
Local Plans	222 Completed (333 remaining)	237 Completed (328 remaining)	355 Completed (211 remaining)
State Plans	11 Completed (42 remaining)	17 Completed (36 remaining)	19 Completed (34 remaining)

3. Emergency Public Information.

a. Authority. Federal Civil Defense Act of 1950, as amended, 50 U.S.C. 2251-2297, PL 96-342, Title VII.

b. Objective/Program Description. Under this Congressional authority, the FEMA Emergency Public Information (EPI) mission is to (1) disseminate information about the purpose and status of the Federal, State and local civil defense system program; and (2) develop and distribute guidance and information to government, private institutions, and the general public. This information program is to create an awareness of the conditions associated with a nuclear attack or peacetime disaster so that government officials and the general public will react appropriately when official instructions are issued. Experience in major disasters has shown that response is always in proportion to advance knowledge and preparation.

c. Changes from Original FY 1981 Estimates. None

d. FY 1982 Activity.

o Establish and define a quantitative and qualitative basis for evaluating the current status and future requirements for EPI program initiatives.

o Inventory the status of EPI scripts in each State.

o Provide funding to selected States to develop a prototype EPI package consisting of at least the following:

— EPI guidance materials and agreements with media to provide emergency information to the public.

— EPI awareness films and slide presentations to be used by schools and community organizations.

— Information materials and formal courses to State and local governments for educating the public in actions they can take to save lives and limit property damage during and immediately following an enemy attack on the United States or when a natural/manmade disaster occurs.

— Standard scripts for commercial broadcast station spot announcements.

Unit(s) of Measure	FY 80	FY 81	FY 82
Guidance Materials for Jurisdictions	0	40	50
Agreement with Media for Jurisdictions	0	30	40

4. Broadcast Station Protection Program (BSPP)

a. Authority. Federal Civil Defense Act of 1950, as amended, 50 U.S.C. App. 2251-2297; Reorganization Plan No. 3 of 1978, E.O. 12127 of March 31, 1979.

b. Objective/Program Description. The objective of this program is to protect commercial broadcast stations in the Emergency Broadcast System (EBS) from the effects of electromagnetic pulse (EMP) and fallout from a nuclear detonation so that they can continue operation during and following a nuclear attack. This protection also enhances the EBS stations' capability to continue operation during and following natural disasters. The program provides Federal funds to EBS stations for the purpose of purchasing installation services and equipment as shown below in paragraph d. (In the FY 81 Budget Justification this program was under Warning and Communications.)

c. Changes from FY 1981 Estimates. $1,121K. This is an internal adjustment and does not reflect an increase in program funding.

d. FY 1982 Activity. The following are activities planned for FY 1982 funding:

Activity	Number
o New protected stations	28
o Generators - repair/replace	15
o EMP - retrofit	75
o Shelter - repair	20
o Shelter - replace	15
o Program equip.(repair/replace)	20
o Remote pickup units	40

o EMP - consulting and assistance to FEMA by outside consultants.

5. Program Staff

a. Authority. Federal Civil Defense Act of 1950, as amended, 50 U.S.C. App. 2251-2297.

b. Objective. Develop program policy and guidance for use by FEMA regional offices and State and local governments in implementing the program. Regional staff will provide technical and operational assistance to State and local governments in the development of Communications and Warning, Emergency Broadcast System (EBS), and Emergency Public Information (EPI) programs and technical assistance to commercial broadcast stations participating in the Broadcast Station Protection Program.

c. Changes from Original FY 1981 Estimates. $895K for staff and administrative expenses. This is an internal adjustment and does not reflect an increase of funding or staff. This amount has been decreased by $54,000 for President Reagan's March 1981 reduction.

d. FY 1982 Activity. Essentially the same as FY 1981.

STATE AND LOCAL PREPAREDNESS
(In Thousands of Dollars)

I. Comprehensive Emergency Preparedness Planning

	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs FY 1981
Plans and Preparedness State and Local Civil Protection and Planning Assistance Program Staff		($ 648) a/	($ 731) b/			
1. Program Staff	138			$ 668	$ 557	$ - 111
BUDGET AUTHORITY				$ 668	$ 557	$ - 111
BUDGET OUTLAYS				595	491	
PERMANENT POSITIONS - HEADQUARTERS		5	5 c/	4	4	
- REGIONS		17	17	10	10	
TOTAL WORKYEARS		23	22	15	15	

Changes from Original FY 1981 Estimates

$+731,000 for staff and associated expenses
- 63,000 President Reagan's March 1981 reduction
$+668,000 Internal adjustment

a/ The total of this item is $18,573 thousand.
b/ The total of this item is $22,095 thousand.
c/ Permanent positions and workyears are shown; however, the budget justification did not reflect personnel breakouts at this level.

1. Comprehensive Emergency Preparedness Planning

a. Authority. P.L. 93-288 - The Disaster Relief Act of 1974, as amended. P. L. 94-124 — The Earthquake Hazards Reduction Act of 1977, as amended.

b. Object/Program Description. Comprehensive emergency management (CEM) is a concept in which the four distinct phases of emergency capability (mitigation, preparedness, response, and recovery) are developed by each level of government and applied to emergency situations arising from any cause. The concept leads to the development of specific program projects designed to enhance emergency management capability. Central to CEM are programs for improving the nature and quality of emergency plans (Standard Emergency Plan Format), for assessing preparedness capability (post-disaster critiques, and pre-disaster exercises), and for providing technical asistance to planners (Information Exchange Topics/Articles). A primary instrument for implementing CEM is the Disaster Improvement Grant. These annual grants by FEMA Regional Directors provide up to $25,000 from the Disaster Relief Fund to States on a 50-50 matching basis; all but a few States are participants. A significant pilot project, in which the Disaster Improvement Grant is made part of an instrument for funding other FEMA projects, was initiated in FY 1981 in several pilot States. The objectives of the pilot project are to provide reasonable flexibility to the States in the use of funds for emergency management while maintaining, and even facilitating, the goals of individual programs. It is also anticipated that paperwork on the part of both FEMA and the State will be reduced. Besides the Improvement Grant, Nuclear Civil Protection Planning, and Radiological Instrument Maintenance and Calibration programs are included in the pilots of the Cooperative Agreement on Emergency Preparedness.

c. Changes from Original FY 1981 Estimates. $668,000 for staff and administrative expenses. This is an internal adjustment and does not represent an increase in funding or staff.

d. FY 1982 Activity. These program activities are anticipated in FY 1982:

Project/Program	1980	1981	1982
a. Cooperative Agreements	0	4	59
b. States with Improvement Grants	45	48	53
c. Post-disaster critiques of plans	0	5	10
d. Emergency exercises	0	0	20
e. Standard Format pilot jurisdictions	0	0	60
f. Information exchange topics/articles	8	12	12

STATE AND LOCAL PREPAREDNESS
(In thousands of dollars)

J. Special Hazards Preparedness Planning

	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
Plans and Preparedness						
State and Local Civil Protection and Planning Assistance						
Program Staff		($ 463) a/	($ 547) b/			
1. Program Staff	140			$ 547	$ 536	$ - 11
BUDGET AUTHORITY				$ 547	$ 536	$ - 11
BUDGET OUTLAYS				$ 497	$ 487	
PERMANENT POSITIONS - HEADQUARTERS		7	7 c/	7	7	
- REGIONS		11	11	11	11	
TOTAL WORKYEARS		17	18	17	18	

Changes from Original FY 1981 Estimates

$ + 547,000 For staff and associated expenses

a/ The total of this item is $18,573 thousand.
b/ The total of this item is $22,095 thousand.
c/ Permanent positions and workyears are shown; however, the budget justification did not reflect personnel breakouts at this level.

1. Special Hazards Preparedness Planning

a. Authority. P.L. 93-288 - The Disaster Relief Act of 1974, as amended. P.L. 95-124 - The Earthquake Hazards Reduction Act of 1977, as amended.

b. Objective/Program Description. Emergency situations which present unusual problems because they affect high-population areas or can cause a high degree of loss, are categorically identified as special hazards. The most significant of these special hazards are earthquakes and hurricanes. FEMA programs provide financial and technical assistance for loss studies which identify the most likely size and location of potential incidents and estimate damage under various circumstances. This information provides base data from which contingency plans (Federal, State, local), addressing actions and needs beyond general emergency preparedness plans, are developed. The data is often valuable for implementing mitigation measures in construction, zoning, and the like. A growing concern nationwide, the threat to life and property from toxic, volatile, or explosive materials in production, storage, transit, or waste disposition, is a matter relatively new to FEMA. But, the Agency will be involved increasingly in coordinating Federal activities in preparing for these kinds of emergencies and in ensuring adequate guidance for State and local government.

c. Changes From Original FY 1981 Estimates. $547,000 for staff and administrative expenses. This is an internal adjustment and does not represent an increase in funding or staff.

d. FY 1982 Activity. These program activities are anticipated in FY 1982:

Project/Program	1980	1981	1982
(1) Earthquake loss studies funded or completed	4	4	4
(2) Federal earthquake plans completed	3	3	2
(3) State/local earthquake plans funded or completed	2	8	4
(4) Prediction (earthquake) planning funded completed	1	1	1
(5) Hurricane loss studies funded or completed	0	1	3
(6) Hurricane contingency plans funded	0	0	1
(7) Issuance on HAZMAT preparedness criteria	0	0	1

STATE AND LOCAL PREPAREDNESS
(In thousands of dollars)

K. Radiological Emergency Preparedness

PROGRAM HIGHLIGHTS	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
FY 1980 Budget Supplemental		$ 1,590 a/	0			
Transfer of funds from Nuclear Regulatory Commission (NRC)				$ 1,742 b/		$ - 1,742
1. Radiological Emergency Preparedness	142				$ 3,084	+ 3,084
2. Program Staff	143				1,176	+ 1,176
BUDGET AUTHORITY		$ 1,590	0	$ 1,742	$ 4,260	$ + 2,518
BUDGET OUTLAYS		$ 1,431		$ 1,567	$ 3,868	
PERMANENT POSITIONS - HEADQUARTERS		10	0	14	14	
- REGIONS		34	0	22	23	
TOTAL WORKYEARS		43	0	34	37	

Changes from Original FY 1981 Estimates

No funds were budgeted for this program in FY 1981. By Determination Order authority, $2,619,000 will be transferred to FEMA. This budget activity will receive $1,742,000.

a/ Total of FY 1980 budget supplemental is $1,900 thousand.
b/ Total of NRC transfer of funds is $2,619 thousand.

1. Radiological Emergency Preparedness

a. Authority. P.L. 81-920, Federal Civil Defense Act of 1950, as amended, and P.L. 96-342, Civil Defense Appropriations Title V, September 8, 1980; Presidential Directive of December 7, 1979; OMB Determination Order of January 12, 1981 NRC/FEMA; P.L. 96-295 FY 1980 NRC Appropriation Authorization of June 30, 1980; Executive Order 12241 of September 29, 1980.

b. Objective/Program Description.

(1) Carry out the Directive of the President to take the lead in off-site emergency planning and response, and to develop an integrated program for the review and approval of plans and preparedness at the Federal, State and local level for all fixed nuclear facilities and as a result of accidents involving nuclear materials.

(2) Coordinate within FEMA and within the Federal Government arrangements for development and deployment of special instruments and dose prediction computer technology related to nuclear facilities accidents which have multi-use capabilities for civil defense and hazardous materials accident emergencies.

(3) Specific goals include coordination of plans and preparedness around commercial nuclear power stations, installations of the Department of Defense and the Department of Energy, NRC-licensed non-power related facilities (reactors and materials licensees), transportation accidents involving nuclear materials and for the exercising and continued evaluation of plans and preparedness around all facilities.

c. Changes from Original FY 1981 Submission. FEMA did not budget for REP program activities in the FY 1981 budget submission. The FY 1982 request is based on programmatic efforts which are carried forward using NRC funds transferred in the OMB Determination Order.

d. FY 1982 Activity. During FY 1982, the REP Division will carry out programs in five areas which support the goals and objectives.

(1) Commercial Power Stations. Monitor plans and preparedness through FEMA staff as provided in FEMA Rule 44 CFR Part 350 including the evaluation of continuing exercises of the State and local plans.

(2) National Plan Development. Continue efforts toward an integrated National Plan for coordination of Federal agency response including development of exercises of the plan called for in supporting agency rules (NRC Rule 10 CFR Part 50 Appendix E and FEMA Rule 44 CFR Part 351).

(3) Facilities Other Than Commercial Power Reactors. Provide guidance for State and local government for planning and preparedness around weapons production/storage and nuclear fuel cycle facilities, research facilities, test sites, operational bases and material license holders.

(4) Transportation Accident Preparedness. Develop preparedness and planning for transportation accidents involving radioactive materials.

(5) Program Support. In coordination with other FEMA components, develop and deploy means for testing alerting and notification systems; complete the Atmospheric Release Advisory Capability pilot project, and develop and test an advanced version; develop means for evaluating plans and assisting States in special cases involving evacuation, sheltering and radioprotective drugs in selected high population sites; develop specifications for a model EOC capability with applicability to civil defense and natural disaster planning and preparedness; and work toward development and deployment of advanced radioiodine monitors,

plume rate exposure instruments and provide personal dosimeters in cooperation with other Federal agencies. Provide guidance to State and local governments in instrumentation systems, procedures and training.

2. Program Staff

a. Authority. P.L. 81-920, Federal Civil Defense Act of 1950, as amended, and P.L. 96-342, Civil Defense Appropriations Title V, September 8, 1980; Presidential Directive of December 7, 1979; OMB Determination Order of January 12, 1981 NRC/FEMA; P.L. 96-295 FY 1980 NRC Appropriation Authorization of June 30, 1980; Executive Order 12241 of September 29, 1980.

b. Objective/Program Description.

(1) Carry out the Directive of the President to take the lead in off-site emergency planning and response, and to develop an integrated program for the review and approval of plans and preparedness at the Federal, State and local level for all fixed nuclear facilities and as a result of accidents involving nuclear materials.

(2) Coordinate within FEMA and within the Federal Government arrangements for development and deployment of special instruments and dose prediction computer technology related to nuclear facilities accidents which have multi-use capabilities for civil defense and hazardous materials accident emergencies.

(3) Specific goals include coordination of plans and preparedness around commercial nuclear power stations, installations of the Department of Defense and the Department of Energy, NRC-licensed non-power related facilities (reactors and materials licensees), transportation accidents involving nuclear materials and for the exercising and continued evaluation of plans and preparedness around all facilities.

c. Changes from Original FY 1981 Submission.

FEMA did not budget for program staff in the FY 1981 budget submission. During FY 1981 REP Headquarters will operate using 14 positions. Of these 14 positions, 7 positions transferred from NRC by Determination Order dated January 12, 1981 and 7 are on assignment from other elements of State and Local Preparedness. The regional staff effort will be 22 positions.

d. FY 1982 Activity.

During FY 1982 REP Division requests a total combined staffing level of 37 positions for headquarters and Region support in order to carry out its integrated program.

(1) Headquarters. The headquarters program will require 14 positions to carry out plans and preparedness policy development and program support for: commercial power stations; national plan development; for all fixed facilities other than commercial power stations; for transportation accident preparedness and for program support for testing alerting and notification systems, evaluation of advanced computerized accident assessment, evacuation dynamics and improved instrumentation; and for assistance to State and local government in the interpretation of program requirements.

(2) Regions. The Regional program will require 23 positions to carry out the monitoring of plans and preparedness as provided in FEMA Rule 44 CFR Part 350 including the evaluation of continuing exercises of State and local plans; providing consultation on the National Radiological Emergency Preparedness Plan published at 45 FR 84910 including Federal agency procedures, consultation on guidance development for fixed facilities other than commercial power reactors including specific review of 6 fixed nuclear facilities of DOD and DOE; for consultation on development of transportation accident guidance; and for Regional implementation of headquarters programs listed above.

STATE AND LOCAL PREPAREDNESS
(In thousands of dollars)

L. Management and Administration

	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
Plans and Preparedness						
State and Local Civil Protection and Planning Assistance						
Program Staff		$ 18,573	$ 22,095			
Management and Administration	146	(8,767)	(9,117)	$ 9,321	$ 0 a/	$ - 9,321
BUDGET AUTHORITY		$ 18,573	$ 22,095	$ 9,321	$ 0	$ - 9,321
BUDGET OUTLAYS		$ 15,627	$ 14,231	$ 8,453		
PERMANENT POSITIONS - HEADQUARTERS		7 b/	27 b/	5	0	
- REGIONS		110	200	172	0	
TOTAL WORKYEARS		137	227	174	0	

Changes from Original FY 1981 Estimates
A net decrease results due to:

o $ - 470,000	President Carter's March 1980 reduction
o + 649,000	October 1980 pay raise
o - 1,715,000	To Operations Support
o -10,195,000	To State and Local Preparedness
o - 1,008,000	To Training and Education
o - 35,000	President Reagan's March 1981 reduction
$ -12,774,000	Net decrease

a/ The staff and expenses of this activity are funded in the Hazard Mitigation and Disaster Assistance appropriation in FY 1982 under Management and Administration.

b/ Permanent positions and workyears shown relate to the dollars in parentheses.

L. Management and Administration

a. Objective/Program Description. This budget item includes the management and administration of the ten regional offices. Personnel costs of the management staff and the administration staff, travel, and all administrative and housekeeping costs of the regions are included. It also includes administrative and housekeeping costs for headquarters for this appropriation.

b. Changes from Original FY 1981 Estimate. The changes are shown in the above table.

c. FY 1982 Activity. In FY 1982 these items are budgeted in the HMDA appropriation under Management and Administration. The regional portion is under Regional Management and Administration and the headquarters' portion is under Finance and Administration.

Emergency Planning, Preparedness and Mobilization
State and Local Preparedness

Direct Obligations

Object Classes
(In thousands of dollars)

Code	Object Class	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982
	Personnel compensation:				
11.1	Permanent positions	$13,385	$14,479	$9,264	$7,306
11.3	Positions other than permanent	36	—	111	96
11.5	Other personnel compensation	--	188	113	36
	Total Personnel compensation	$13,421	$14,667	$9,488	$7,438
12.1	Civilian	$1,361	$1,407	$ 938	$ 702
21.0	Travel and transportation of persons	1,787[a/]	1,803[a/]	1,795	1,714
21.1	Interagency motor pool				
22.0	Transportation of things	7	100	118	65
23.1	Standard level user charge	2,705	2,611	2,611	
23.2	Comm., utilities & other rent				
24.0	Printing and reproduction	933	236	31	436
25.0	Other services	9,792	25,741	28,280	24,196
26.0	Supplies and materials	1,416	1,384	2,036	1,034
31.0	Equipment	322	1,322	2,003	2,802
32.0	Lands and structures				
41.0	Grants, subsidies, and contributions	39,113	39,829	41,166	60,887
42.0	Insurance claims and indemnities	3	18	20	
43.0	Interest and dividends	-	-	-	-
99.0	Total direct obligations	$70,860	$89,118	$88,486	$99,274

a/Includes $900,000 in travel for shelter survey program originally shown in object class 25 for payment on a reimbursable basis to the Corps of Engineers. Change approved in FY 1980. $88,000 was reduced from $900,000 for a net of $812,000.

Training and Education

This program prepares Federal, State and local officials, and their supporting staffs and constituencies to meet the responsibilities and challenges of hazard mitigation, emergency preparedness, disaster response, and long-term disaster recovery, and to educate the public on measures they can take to promote their safety and survival. Major program activities are:

- Instructional Programs and Materials, which provides for development and reproduction of materials to support nation-wide emergency management training;

- Maintenance and Operations of FEMA Schools, which supports the operations of the Emergency Management Institute;

- Training Field Deployment Systems, which provides resources to support State and local training efforts; and,

- Training and Education Projects, which supports one-time or specialized training activities.

TRAINING AND EDUCATION
(In thousands of dollars)

SUMMARY OF BUDGET ESTIMATES

I. Summary of Budget Request

PROGRAM HIGHLIGHTS PROGRAM LEVEL	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 82 vs FY 81
Information and Education						
Education		$ 7,158				
Instructional Programs and Materials Development			$ 1,000			
Instructional Materials, Reproduction, Storage and Delivery			600			
Staff Expenses			1,185			
A. Instructional Programs and Materials	151			$ 1,600	$ 3,014	$+ 1,414
Program Staff - Headquarters				162	162	
B. Maintenance and Operations of FEMA Schools	154		3,150	3,496	2,610	- 886
Program Staff - Headquarters				798	785	- 13
C. Training Field Deployment Systems ...	156		3,500	3,977	5,441	+ 1,464
Program Staff - Headquarters				108	108	
Program Staff - Regions				983	952	- 31
Plans and Preparedness, State and Local Civil Protection and Planning Assistance Program Staff			(1,008)b/			
Private and Professional Association Training Projects			216			
D. Training and Education Projects	158			216	1,000	+ 784
Program Staff - Headquarters				151	139	- 12
E. Emergency Information	160	1,774	1,339	600	0c/	- 1,347
Program Staff				747	0c/	
BUDGET AUTHORITY		$ 8,932a/	$10,990	$12,838	$14,211	$+ 1,373
BUDGET OUTLAYS		$ 9,021	$ 9,891	$11,664	$12,895	

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PERMANENT POSITIONS - HEADQUARTERS.....	49	69 d/	66	44
- REGIONS.....	0	0	28	28
TOTAL WORKYEARS.....	59	74 d/	94	73

II. Changes from Original 1981 Estimates

This program activity reflects a net increase of $1,848,000 due to:

o	$ - 90,000	President Carter's March reduction
o	- 54,000	FY 1981 appropriation percentage reduction
o	+ 877,000	FY 1981 supplemental for radiological emergency planning training
o	+ 162,000	October 1980 pay raise
o	+ 1,008,000	Funding of staff expenses for 30 regional training and education personnel formerly funded under Plans and Preparedness, State and Local Civil Protection and Planning Assistance
o	- 55,000	President Reagan's March 1981 reduction
	$ + 1,848,000	

a/ Includes $1,541 thousand reprogrammed for Emergency Management Institute and $310 thousand from FY 1980 supplemental appropriation for Radiological Emergency Preparedness.
b/ Total of this item is $22,095 thousand.
c/ In FY 1982, this item is shown in State and Local Preparedness, Nuclear Attack Civil Preparedness, and in the Hazard Mitigation and Disaster Assistance appropriation under Management and Administration. Office of Public Affairs.
d/ Includes Emergency Information staff of 22 permanent positions and 24 workyears.

TRAINING AND EDUCATION
(In thousands of dollars)

A. Instructional Programs and Materials

	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 82 vs FY 81
Information and Education						
Education						
Instructional Programs and Materials Development		$633	$1,000			
Instructional Materials, Reproduction, Storage and Delivery		250	600			
Staff Expenses			162 a/			
				$1,600	$3,014	$+ 1,414
1. Instructional Programs and Materials	152			162	162	
2. Program Staff	153					
		$883	$1,762	$1,762	$3,176	$ 1,414
BUDGET AUTHORITY		$795	$1,586	$1,586	$2,858	
BUDGET OUTLAYS						
PERMANENT POSITIONS - HEADQUARTERS		9	6	6	6	
- REGIONS		0	0	0	0	
TOTAL WORKYEARS		9	6	6	6	

Changes from Original FY 1981 Estimate
None

a/ Total of this item is $1,185 thousand

1. Instructional Programs and Materials

a. Authority. Several of the statutes implemented by FEMA contain provisions for training and education. These include the Federal Civil Defense Act of 1950 (Sec. 201e), the Disaster Relief Act of 1974 (Sec. 201a and c), the Housing and Urban Development Act of 1968 (Sec. 1313), and the Earthquake Hazard Reductions Act of 1977 (SC).

b. Objective/Program Description. Develop and reproduce instructional materials for emergency management programs for nationwide use. These will include instructor guides, student manuals, self-study courses, films, tape slide presentations, video and audio tapes, manuals, catalogs, and other materials of an instructional nature.

c. Changes from Original FY 1981 Estimates

Instructional programs and materials development of $1.0 million, and instructional materials reproduction, storage, and delivery, $600 thousand, have been combined into Instructional Programs and Materials in this FY 1981 current estimate.

The current estimate reflects the staff costs of $162 thousand associated with this activity.

d. FY 1982 Activity.

Training and Education continues to be one of the principal means for FEMA to diffuse emergency management concepts and programs among its constituents. Effective State, local, and public responses to disasters depend upon intelligent action by appropriate officials. Training and education is one of the primary means of preparing officials for such action.

Since FEMA is still a relatively new Agency, there are many training materials from its predecessor agencies that need extensive revision in the context of comprehensive emergency management. In addition, FEMA must continue to develop new materials in the areas of national security emergencies, hazard mitigation, flood plain management, dam safety, disaster response and recovery, and earthquake preparedness that did not exist with the predecessor agencies.

In FY 1982, 36 developmental projects are planned. Included among these are (1) instructional materials for reservists and local hires for Presidentially declared disasters; (2) new initiatives for continuity of Federal government operations during national security emergencies; (3) new initiatives in mobilization planning and resource preparedness related to national security emergencies; (4) three shelter management self-study courses; (5) four self-study courses for State/local emergency managers; (6) instructional materials for local officials who must respond to radiological emergencies from fixed nuclear facilities; to 12-15 modules in the professional development curriculum for State/local emergency managers; (8) conference materials for business and industry officials; and (9) instructional materials for student and practicing architects and engineers. In addition, follow-up on development work for 15 projects initiated in FY 81 is projected.

Of the approximately 100 publications required to support State and local training programs, 30-40% of them must be reprinted each year. Funds in this item will be used for this purpose. If the publications "pipeline" is not maintained on a regular annual basis, the effect significantly impacts the quality and quantity of State/local training activities which are among the least costly in emergency management.

The requested increase of $1,414,000 will further the accomplishment of these objectives.

2. Program Staff

Funds requested provide for six full-time permanent positions.

TRAINING AND EDUCATION
(In thousands of dollars)

B. Maintenance and Operations of FEMA Schools

	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 82 vs FY 81
Information and Education						
Education						
Staff Expenses			$ 808 a/			
1. Maintenance and Operations of FEMA Schools.	155	$2,100	$3,150	$3,496	$2,610	$ - $ 886
2. Program Staff	155			798	785	- 13
BUDGET AUTHORITY		$2,100	$3,958	$4,294	$3,395	$ - $ 899
BUDGET OUTLAYS		$1,890	$ 3,562	$3,864	$ 3,453	
PERMANENT POSITIONS - HEADQUARTERS		7	30	29	29	
- REGIONS		0	0	0	0	
TOTAL WORKYEARS		9	30	27	27	

Change from Original FY 1981 Estimate

$ + 346,000 Appropriation transfer from Nuclear Regulatory Commission for radiological emergency preparedness training

- 10,000 President Reagan's March 1981 reduction

$ + 336,000

a/ Total of this item is $1,185 thousand

1. Maintenance and Operations of FEMA Schools

a. Authority. The Federal Civil Defense Act of 1950 (Sec. 201e) authorizes the Director of FEMA to maintain "not more than one national civil defense college and three civil defense technical training schools," and to reimburse trainees and instructors for travel and subsistence. The Housing and Urban Development Act of 1968 also provides for the reimbursement of participants at emergency preparedness meetings and courses.

b. Objective/Program Description. The Emergency Management Institute in Emmitsburg, Maryland was established to provide a national forum for the discussion of emergency management issues and to conduct special and advanced courses for selected emergency management audiences. This item provides for the internal operating costs of the Institute, the Institute's share of the general facility operations, support for attendance of local and State participants, and the services of specialists in selected areas of instruction.

c. Changes from Original FY 1981 Estimates.

The increase of $336,000 represents a portion of the funds transferred to FEMA from NRC for Radiological Emergency Preparedness (REP) training less President Reagan's March 1981 reduction.

d. FY 1982 Activity.

Providing a forum for discussion of and instruction on national emergency management objectives and programs is one of the most cost effective ways FEMA can accomplish its Federal coordinative and intergovernmental missions. If officials have no perspective or understanding, it is difficult for them to support emergency preparations and response. If they have information, objectives become more constructive and this leads to strengthening of programs and their deployment. Of particular value to FEMA is the proximity of the Institute to Washington, D.C. and its low travel cost availability for the training of Federal officials. Since FEMA must rely on officials of other Federal agencies to support and/or accomplish emergency management objectives, their education is imperative. This has been an area of serious neglect by some of FEMA's predecessor agencies. State and local governments have been very critical of this oversight.

The Emergency Management Institute will present resident courses, conferences, workshops, and seminars for approximately 3,000 Federal, State and local government participants. These educational activities include training for Federal staffs in continuity of government, resource management, mobilization planning, disaster response and hazard mitigation; professional development for State and local emergency managers; training of disaster reservists; national conferences on emergency management; training for architects and engineers and business and industry officials; research symposia on issues in emergency management; and training for persons involved in radiological emergency preparedness.

The FY 1982 figure is lower than the FY 1981 figure because the FY 1981 budget included the final major renovation increment for the Institute at the Emmitsburg facility. The FY 1982 estimate includes $300 thousand for radiological emergency preparedness training required by the transfer of off-site preparedness responsibility around fixed nuclear facilities from NRC to FEMA. Specifically, these funds support the conduct of the planning and accident assessment courses.

2. Program Staff

Funds requested provide for 29 full-time permanent positions.

C. Training Field Deployment Systems

TRAINING AND EDUCATION
(In thousands of dollars)

	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 82 vs FY 81
Information and Education						
Education						
Staff Expenses			$ 108 a/			
1. Training Field Deployment Systems	157	$3,000	3,500	$3,977	$5,441	$ + 1,464
2. Program Staff - Headquarters	157			108	108	0
Plans and Preparedness, State and Local Civil Protection and Planning Assistance,						
Program Staff			(1,008) b/			
Program Staff - Regions				983	952	- 31
BUDGET AUTHORITY		$3,000	$3,608	$ 5,068	$ 6,501	$ + 1,433
BUDGET OUTLAYS		$2,900	$3,247	$ 4,559	$ 5,561	
PERMANENT POSITIONS - HEADQUARTERS		9	6	6	6	
- REGIONS		0	0	28	28	
TOTAL WORKYEARS		12	6	34	37	

Changes from Original FY 1981 Estimate

o $ + 477,000	From Nuclear Regulatory Commission appropriation transfer for radiological emergency preparedness training
o + 1,008,000	For regional staff expenses from State and Local Civil Protection and Planning Assistance.
o - 25,000	President Reagan's March 1981 reduction
$ + 1,460,000	Increase

a/ Total of this item is $1,185 thousand
b/ Total of this item is $22,095 thousand

1. Training Field Deployment Systems

a. Authority. Same as 1.a. above. Of particular significance is the Federal Civil Defense Act of 1950 (Sec. 201e) which authorizes the Director of FEMA to conduct training by "contract or otherwise."

b. Objective/Program Description. The most cost effective means of delivering training is to assist State and local governments to build their own capacity for offering such programs. The FEMA field deployment system provides financial and instructional materials resources to the States through a State Cooperative Agreement for the conduct of training and education activities for a wide variety of State and local training audiences. Among others, these audiences include emergency management coordinators, disaster response staffs, elected and appointed officials, business and industry officials, and members of local emergency services organizations. In selected instances, training is most effectively offered on an inter-State basis. In these instances, the training is offered through a Regional Support Contract. These contracts also provide an instructional capability for the training of officials in the Regional offices of Federal agencies.

c. Changes from Original FY 1981 Estimates.

The increase of $1,460,000 includes $477,000 of the $877,000 transferred to FEMA from NRC for radiological emergency preparedness training and $1,008,000 for Regional staff from another section of the budget less President Reagan's March 1981 reduction.

d. FY 1982 Activity.

Excepting the recently acquired radiological emergency preparedness training and the program staff, the field deployment system has been budgeted at $3,500,000 in FY 1979, 1980, and 1981. Because of inflation, approximately $4,700,000 would be needed to equal the FY 1979 program which was entirely civil defense based. These same dollars are now being spread over comprehensive emergency management training objectives. The increase will permit FEMA to provide support to State/local training programs at approximately the same level as the FY 1979 civil defense training program.

To provide for increased training efforts in FY 1982, the States will be required to share the costs of emergency management training programs. The 75/25 shared arrangement is a change from FY 1981 in which FEMA provided 100% funding.

These funds will provide approximately 130 man years of instructional services. It is projected that approximately 4,800 courses will provide instruction to about 175,000 people in comprehensive emergency management. These funds also include $700 thousand for the conduct of radiological emergency preparedness training required by the transfer of the off-site preparedness responsibility around fixed nuclear facilities from NRC to FEMA. Specifically, the funds are for the radiological emergency response operations course conducted at the Nevada Test Site.

2. Program Staff

Funds requested will provide for 6 full-time permanent headquarters positions and 28 full-time permanent positions in the Regions.

D. Training and Education Projects

TRAINING AND EDUCATION
(In thousands of dollars)

	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 82 vs FY 81
Information and Education						
Education						
Staff Expenses		$ 125	$107 a/			
Private and Professional Association Training Projects		1,050	216			
1. Training and Education Projects	159			$ 216	$ 1,000	$ + 784
2. Program Staff	159			151	139	- 12
BUDGET AUTHORITY		$1,175	$ 323	$ 367	$ 1,139	$ + 772
BUDGET OUTLAYS		$1,057	$ 291	$ 329	$ 1,023	
PERMANENT POSITIONS - HEADQUARTERS		4	4	3	3	
- REGIONS		0	0	0	0	
TOTAL WORKYEARS		4	4	3	3	

Change from Original FY 1981 Estimates

- $ + 55,000 Identification of staff with program.
- - 11,000 President Reagan's March 1981 reduction.

$ + 44,000

a/ Total of this item is $1,185 thousand

1. Training and Education Projects

a. Authority. Same as 1.a. above.

b. Objective/Program Description. This activity includes special training and education projects that are: (1) generally one time in nature, such as pilot testing of new courses, new delivery systems, or new instructional methods; (2) support of selected FEMA program activities, such as shelter survey technician training; and (3) support for special projects, such as initiating linkages with other Federal schools for the purpose of including emergency management instruction in their curricula.

c. Changes from Original FY 1981 Estimates

The increase of $44,000 is the staff costs associated with this program, including pay raise; however, it results from identifying staff with programs and does not represent a true increase.

d. FY 1982 Activity.

The funds requested will be used to: continue courses for shelter survey technicians which are essential to establishing fallout shelter capabilities in risk and host areas; continue training for fallout shelter analysts; initiate instructional linkages with up to six Federal schools; continue the pilot testing of comprehensive emergency management workshops for lenders; continue pilot tests in up to six additional States to determine the acceptability of newly developed school materials; and develop training and education programs and materials to support the National Earthquake Hazard Reduction Program.

2. Program Staff

Funds requested provide for 3 full-time permanent positions.

TRAINING AND EDUCATION
(In thousands of dollars)

E. Emergency Information

	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
Emergency Information		$ 1,774 a/	$ 1,339			
1. Information	161			$ 600	$ 0 b/	$ - 600
2. Program Staff	161			747	0 b/	- 747
BUDGET AUTHORITY		$ 1,774	$ 1,339	$ 1,347	$ 0	$ - 1,347
BUDGET OUTLAYS		$ 2,379	$ 1,205	$ 1,326		
PERMANENT POSITIONS - HEADQUARTERS		20	23	22	0	
- REGIONS		0	0	0	0	
TOTAL WORKYEARS		25	28	24	0	

Changes from Original FY 1981 Estimate

o	$ - 40,000	President Carter's March 1980 reduction
o	+ 57,000	October 1980 pay raise
o	- 9,000	President Reagan's March 1981 reduction
	$ + 8,000	Net increase

a/ Includes $110 thousand for Radiological Emergency Preparedness from FY 1980 budget supplemental.
b/ In FY 1982 this activity is reflected in the Hazard Mitigation and Disaster Assistance appropriation under Management and Administration, and in this appropriation under State and Local Preparedness, Nuclear Attack Civil Preparedness.

1. Emergency Information

a. Authority
Several of the statutes implemented by FEMA allow for the dissemination of emergency information - the Disaster Relief Act of 1974, the Federal Civil Defense Act of 1950, as amended and the National Security Act of 1947.

b. Objective/Program Description
This activity disseminates public emergency information nationwide utilizing mass communication concepts such as news releases, news photos, fact sheets, speeches by agency officials, briefing materials, general and specialized pamphlets and publications, motion pictures, and radio and television spots.

c. Changes from Original FY 1981 Estimates
A net increase of $ 8,000 results from a $40,000 decrease in President Carter's March 1980 reduction, a $57,000 increase for the October 1980 pay raise and a $9,000 President Reagan's March 1981 reduction.

d. FY 1982 Activity
In FY 1982, this activity is included in the Hazard Mitigation and Disaster Assistance appropriation under Management and Administration, Public Affairs. Also, a sub-unit titled, Emergency Public Information, is shown in this appropriation in the budget activity, State and Local Preparedness, Nuclear Attack Civil Preparedness.

2. Program Staff

In FY 1981, 22 permanent positions, (24 workyears) and associated staff expenses are funded in this activity.

Emergency Planning, Preparedness and Mobilization
Training and Education
Object Classes
Direct Obligations (In thousands of dollars)

Code	Object Class	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982
	Personnel compensation:				
11.1	Permanent positions	$ 1,165	$ 1,467	$ 2,351	$ 2,090
11.3	Positions other than permanent	25	80	80	80
11.5	Other personnel compensation	-	-	-	-
	Total Personnel compensation	$ 1,190	$ 1,547	$ 2,431	$ 2,170
	Personnel benefits:				
12.1	Civilian	199	160	244	198
21.0	Travel and transportation of persons	55	145	130	132
21.1	Interagency motor pool	-	-	-	-
22.0	Transportation of things	82	75	50	-
23.1	Standard level user charge	206	-	-	-
23.2	Comm., utilities & other rent	10	460	460	490
24.0	Printing and reproduction	226	1,002	1,335	1,422
25.0	Other services	6,844	7,185	7,772	9,479
26.0	Supplies and materials	100	258	258	180
31.0	Equipment	20	158	158	140
32.0	Lands and structures	-	-	-	-
41.0	Grants, subsidies and contributions	-	-	-	-
42.0	Insurance claims and indemnities	-	-	-	-
43.0	Interest and dividends	-	-	-	-
99.0	Total direct obligations	$8,932	$10,990	$12,838	$14,211

Emergency Planning, Preparedness and Mobilization
REIMBURSABLE PROGRAMS
(In thousands of dollars)

I. Summary of Reimbursements

	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
A. Reimbursable Program						
Corps of Engineers	164	$ 1,800	$ 1,860	$ 1,951	$ 2,110	$ + 159
Special Facility Cafeteria	164	215	258	235	250	+ 15
General Services Administration, Executive Secure Voice Networks	164	33	28	40	40	
BUDGET AUTHORITY		$ 0	$ 0	$ 0	$ 0	
BUDGET OUTLAYS		2,048	2,146	2,226	2,400	$ + 174
PERMANENT POSITIONS - HEADQUARTERS		36	55	36	36	
- REGIONS		0	0	0	0	
TOTAL WORKYEARS		51	65	49	50	

II. Changes from Original FY 1981 Estimates

The increase of $91,000 is due to communication tariff increase and the October 1980 pay raise anticipated from the Corps of Engineers.
The decrease of $23,000 in the cafeteria is due to a lower estimate of receipts from the sale of food, and the ESVN increase of $12,000 is due to increased communication costs.

1. Reimbursable Programs

a. Authority. The statutory basis for the provision of reimbursable services to another U.S. Government agency derives from 31 U.S.C. 686; the National Security Act of 1947, as amended; the Federal Civil Defense Act of 1950, as amended; Executive Orders 10480 and 11490; Reorganization Plan No. 3 of 1978; and Executive Orders 12127 and 12148.

b. Object/Program Description

1. To provide logistical and computer support to the Corps of Engineers Mid-East Division (400 personnel) collocated with FEMA at the Special Facility.

2. To provide messing facilities support at the remote Special Facility. The cost of the food is reimbursed by the employees.

3. To provide logistical support to the Executive Secure Voice Network (ESVN) element at the Special Facility.

c. Changes from Original FY 1981 Estimates. Current FY 1981 estimates are $80,000 higher due to a June 5, 1980 communication tariff increase and the effects of the October 1980 pay raise offset by less cafeteria receipts.

d. FY 1982 Activity.
An increase of $174,000 has been projected and is due primarily to an increased level of services and increased energy costs.

Emergency Planning, Preparedness and Mobilization
Reimbursable Programs
Object Classes
(In thousands of dollars)

Direct Obligations

Code	Object Class	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982
	Personnel compensation:				
11.1	Permanent positions	$ 601	$ 601	$ 601	$ 637
11.3	Positions other than permanent.....	262	262	262	290
11.5	Other personnel compensation	85	85	85	45
	Total Personnel compensation	$ 948	$ 948	$ 948	$ 972
	Personnel benefits:				
12.1	Civilian.....	$ 94	$ 103	$ 103	$ 102
21.0	Travel and transportation of persons.....	-	-	-	-
22.0	Transportation of things....	-	-	-	-
23.1	Standard level user charge..	-	-	-	-
23.2	Comm., utilities & other rent	454	426	506	713
24.0	Printing and reproduction...	-	-	-	-
25.0	Other services.....	75	45	45	1
26.0	Supplies and materials.....	467	604	604	595
31.0	Equipment.....	10	20	20	17
32.0	Lands and structures.....	-	-	-	-
41.0	Grants, subsidies, and contributions.....	-	-	-	-
42.0	Insurance claims and indemnities.....	-	-	-	-
43.0	Interest and dividents.....	-	-	-	-
99.0	Total direct obligations....	$ 2,048	$ 2,146	$ 2,226	$ 2,400

FEDERAL EMERGENCY MANAGEMENT AGENCY

APPROPRIATION LANGUAGE

HAZARD MITIGATION AND DISASTER ASSISTANCE

For necessary expenses, not otherwise provided for, to carry out Hazard Mitigation and Disaster Assistance activities including those under the National Flood Insurance Act of 1968, as amended, and the Flood Disaster Protection Act of 1973 (42 U.S.C. [400] 4001 et seq.), the Urban Property Protection and Reinsurance Act of 1968, as amended, and the National Insurance Development Act of 1975 (12 U.S.C. 1749 bbb et seq.), the Disaster Relief Act of 1974 (42 U.S.C. 5121 et seq.) the Earthquake Hazards Reduction Act of 1977 (42 U.S.C. 7701 et seq.), the Federal Fire Prevention and Control Act of 1974, as amended (15 U.S.C. 278f. [278q.] and 2201 et seq.), the National Science and Technology Policy, Organization, and Priorities Act of 1976 (42 U.S.C. 6601 and 6671) and Reorganization Plan No. 3 of 1978, including not to exceed $500 for official reception and representation expenses [$109,350,000] $112,844,000. (Department of Housing and Urban Development-Independent Agencies Appropriation Act, 1981: additional authorizing legislation to be proposed.)

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Federal Emergency Management Agency
Summary of
Hazard Mitigation and Disaster Assistance
(In thousands of dollars)

	Actual FY 1980 a/	Budget Estimate FY 1981 a/	Current Estimate FY 1981	Budget Estimate FY 1982
Direct Program				
Federal Insurance	$ 78,138	$ 73,170	$67,433	$58,890
Fire Prevention and Control	23,916	21,889	21,185	21,100
Disaster Relief Administration	7,826	8,686	6,302	5,294
Management and Administration	11,556	10,956	14,750	27,560
Total	$121,436	$114,701	$109,670	$112,844
Outlays	$121,340	$109,001	$101,834	$115,974
Reimbursable Program	$ 766	$ 246	$ 260	$ 260

Changes from Original FY 1981 Estimates

Direct Program

o	$ - 749,000	President Carter's March 1980 reduction
o	- 3,801,000	Congressional reduction
o	- 547,000	PL 96-526 reduction
o	+ 1,473,000	October 1980 pay raise
o	+ 14,000	Carryover
o	- 801,000	Carryover
o	- 620,000	President Reagan's March 1981 reduction
	$ - 5,031,000	Net decrease

Reimbursable Program

o	$ + 14,000	October 1980 pay raise

a/ Shown under new budget structure for comparability.

SUMMARY OF
HAZARD MITIGATION AND DISASTER ASSISTANCE
POSITIONS AND WORKYEARS

	Actual FY 1980			Budget Estimate FY 1981			Current Estimate FY 1981			Budget Estimate FY 1982		
	Permanent Positions		Work Years	Permanent Positions		Work Years	Permanent Positions		Work Years	Permanent Positions		Work Years
	Hqs	Reg		Hqs	Reg		Hqs	Reg		Hqs	Reg	
Federal Insurance	147	116	279	177	150	327	151	117	270	151	117	270
Administration of Federal Insurance	147	116	279	177	150	327	151	117	270	151	117	270
Flood Insurance Studies	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of Property	-	-	-	-	-	-	-	-	-	-	-	-
Assistance to States	-	-	-	-	-	-	-	-	-	-	-	-
Fire Prevention and Control	108	-	183	147	-	167	123	-	162	123	-	140
Arson Prevention and Control	7	-	12	7	-	10	7	-	11	7	-	11
Emergency First Response	4	-	7	4	-	7	4	-	7	4	-	7
Firefighter Health and Safety	6	-	8	6	-	8	6	-	8	6	-	7
Cost-Effective Fire Protection Management	41	-	77	70	-	75	57	-	60	57	-	51
Academy Operations and Maintenance	38	-	65	48	-	53	37	-	62	37	-	50
Residential Fire Safety	12	-	14	12	-	14	12	-	14	12	-	14
Disaster Relief Administration	60	87	149	74	100	205	64	104	164	64	104	165
Management and Administration	258	10	315	312	10	278	283	10	320	337	164	534
Reimbursable Programs	8	--	8	8	--	8	8	--	8	8	--	8
Fire Prevention and Control	-	-	-	-	-	-	-	-	-	-	-	-
Federal Insurance	8	-	8	8	-	8	8	-	8	8	-	8
TOTAL	581	213	934	718	260	985	629	231	924	683	385	1,117

Hazard Mitigation and Disaster Assistance
Object Classes
(In thousands of dollars)

Direct Obligations Code	Object Class	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982
	Personnel compensation:				
11.1	Permanent positions	$ 25,095	$ 22,962	$ 22,829	$ 24,648
11.3	Positions other than permanent	1,234	1,908	1,274	1,588
11.5	Other personnel compensation	187	99	166	359
	Total personnel compensation	$ 26,516	$ 24,969	$ 24,269	$ 26,595
	Personnel benefits:				
12.1	Civilian	$ 2,538	$ 2,438	$ 2,342	$ 2,506
21.0	Travel and transportation of persons	1,758	2,082	1,874	2,060
21.1	Interagency motor pool	-	-	-	-
22.0	Transportation of things	83	329	83	76
23.1	Standard level user charge	2,193	1,212	1,212	4,199
23.2	Comm., utilities & other rent.	5,196	1,364	5,261	5,365
24.0	Printing and reproduction	3,707	2,516	2,516	4,213
25.0	Other services	69,455	75,888	62,959	56,919
26.0	Supplies and materials	451	540	417	649
31.0	Equipment	417	415	389	443
32.0	Lands and structures	5,400	-	5,400	5,400
41.0	Grants, subsidies, and contributions	3,722	2,948	2,948	4,419
42.0	Insurance claims and indemnities	-	-	-	-
43.0	Interest and dividends				
99.0	Total direct obligations	$121,436	$114,701	$109,670	$112,844

Federal Insurance

This program is concerned with the administration of insurance and other activities, the purpose of which is to mitigate and reduce the future potential for damage from flooding and from crime, riot or other civil disturbances. Its major activities are:

- Administration of Federal Insurance, which provides staff and other support required to carry out the flood insurance, crime insurance and riot reinsurance programs;

- Flood Studies and Surveys, which supports work in flood-prone communities to determine the degree of risk, based on the probability of flooding in a 100-year period, which permits communities to enforce ordinances and to determine actuarial rates for insurance premiums for new construction;

- Purchase of Property, which provides for acquisition by the government and transfer to local governments of properties which have sustained severe and/or repeated flood damage; and,

- Assistance to States, which provides funds to increase the capabilities of States to assist local communities to administer flood hazard mitigation activities required by the National Flood Insurance Program.

- Coordination of E.O. 11988 activities within FEMA and other agencies including Interagency Agreement for Nonstructural Damage Reductions as applied to Common Flood Disaster Planning and Post Recovery Practices (46 Federal Register 10005).

- Coordination of FEMA participation on statutory River Basin Commissions under Water Resources Planning Act of 1965.

FEDERAL INSURANCE
(In thousands of dollars)

SUMMARY OF BUDGET ESTIMATES

I. Summary of Budget Request

PROGRAM HIGHLIGHTS PROGRAM LEVEL	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
Insurance and Hazard Mitigation		$ 9,778	$ 11,579			
Flood Studies and Surveys		68,360	61,591			
A. Federal Insurance	172			$67,433	$58,890	$ - 8,543
BUDGET AUTHORITY		$ 78,138	$ 73,170	$ 67,433	$ 58,890	$ - 8,543
BUDGET OUTLAYS		$ 77,895	$ 71,780	$ 60,891	$ 61,236	
PERMANENT POSITIONS - HEADQUARTERS		147	177	151	151	
- REGIONS		116	150	117	117	
TOTAL WORKYEARS		279	327	270	270	

II. Changes from Original FY 1981 Estimates
This program activity reduces by $5,737,000 due to:

o	$ - 476,000	President Carter's March 1980 reduction
o	- 547,000	FY 1981 appropriation percentage reduction
o	- 3,001,000	Congressional reduction ($-2,000,000 in Flood Insurance Studies, $-1,001,000 in Assistance to States)
o	- 987,000	To Management and Administration for housekeeping expenses
o	+ 303,000	October 1980 pay raise.
	- 801,000	Carryover.
	- 228,000	President Reagan's March 1981 reduction
	$ - 5,737,000	Net decrease

FEDERAL INSURANCE
(In thousands of dollars)

A. Federal Insurance

	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
Insurance and Hazard Mitigation		$ 9,778	$ 11,579			
Flood Studies and Surveys		68,360	61,591			
1. Administration of Federal Insurance	173			$ 9,248	$ 7,890	$ - 1,358
2. Flood Insurance Studies	180			47,786	42,600	- 5,186
3. Purchase of Property	186			5,400	5,400	0
4. Assistance to States	188			4,999	3,000	- 1,999
BUDGET AUTHORITY		$78,138	$ 73,170	$67,433	$58,890	$ - 8,543
BUDGET OUTLAYS		$77,895	$ 71,780	$60,891	$61,236	
PERMANENT POSITIONS - HEADQUARTERS		147	177	151	151	
- REGIONS		116	150	117	117	
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o	+ 303,000	October 1980 pay raise.
o	- 801,000	Carryover.
o	- 228,000	President Reagan's March 1981 reduction
	$ - 5,737,000	Net Decrease

A. Federal Insurance

1. Administration of Federal Insurance

a. Authority

Flood Insurance

The National Flood Insurance Act of 1968, as amended, authorizes a National Flood Insurance Program. This program enables property owners to buy insurance against losses resulti g from physical damage to or loss of real or personal property arising from floods.

The Flood Disaster Protection Act of 1973 (P.L. (93-234), as amended, effective December 31, 1973, amended the program. The act substantially increased the limits of coverage and made other changes in available insurance coverage. In addition, the act provided strong incentives for the purchase of flood insurance and for community participation, designed to reduce future flood losses and Federal disaster relief outlays.

The act contemplates a dual approach to the problem of flood damage. Insurance will be available on a subsidized basis for existing structures and at risk premium (actuarial) rates for new structures to cover flood losses; and, as a condition for availability of insurance, communities must also adopt and enforce flood plain management measures to reduce the probability and severity of damage.

Riot Reinsurance

The deteriorating insurance market in inner city areas and the civil disturbances of the mid-sixties made it virtually impossible for many property owners and small businessmen to obtain insurance. Congressional concern over the lack of insurance availability for these properties which, except for their location, were insurable risks, resulted in the programs authorized by the Urban Property Protection and Reinsurance Act of 1968 (Title XI of the Housing and Urban Development Act of 1968). Riot Reinsurance availability was expressly conditioned upon continuing participation by insurers in approved Fair Access to Insurance Requirements (FAIR) Plans for citizens requiring "essential property insurance."

Crime Insurance

The President's National Advisory Panel on Insurance in Riot-Affected Areas, in its January 1968 report entitled "Meeting the Insurance Crisis of Our Cities", pointed out that one important factor in the deterioration of inner-city areas was the unavailability of basic insurance coverages, including insurance against burglary and robbery. A study of the availability of crime insurance, conducted by the Federal Insurance Administration in 1970, concluded that there was a critical problem of availability of insurance in many areas. The Federal Crime Insurance Program, as authorized, became effective in August 1971.

b. (FIA) Objective/Program Description. The Federal Insurance Administration administers three Congressionally mandated Property Insurance programs: the Riot Reinsurance Program, the Crime Insurance Program, and the Flood Insurance Program. Additionally, in conjunction with other Government agencies and the private insurance industry, studies are made of insurance availability problems within the nation, and recommendations prepared on various options for resolving these availability problems.

WORKLOAD

The Riot Reinsurance Program and the Crime Insurance Program are administered by the Office of Insurance Operations. The estimated amount of Riot Reinsurance premiums and the estimated number of policies in force in the Crime program for the budget period are as follows:

	ACTUAL 1980	ESTIMATE 1981	ESTIMATE 1982
		(Dollars in Thousands)	
Riot Reinsurance premiums...	$859	$783	$783
Crime Insurance policies in force.....	85,746	90,000	98,000

The National Flood Insurance Program is administered by FIA. The insurance operations are carried out through a contractor. Flood studies are conducted through other Federal agencies and private contractors. There has been and will continue to be growth in insurance operations. The workload indicators representative of the increased efforts in this area are as follows:

	ACTUAL 1980	ESTIMATE 1981	ESTIMATE 1982
Policies in force.....	$1,896,707	$2,187,000	$2,441,000
Studies initiated (Including Wave Heights)	562	353	64
Studies underway.....	5,342	4,523	3,535
Studies completed (Cumulative)....	5,867	7,039	8,091

EXPLANATION OF STAFFING REQUIREMENTS

PERMANENT FULL-TIME POSITIONS

	ACTUAL 1980	BUDGET ESTIMATE 1981	CURRENT ESTIMATE 1981	ESTIMATE 1982	INCREASE + DECREASE - 1982 vs 1981
* Central Office..	147	177	151	151	...
Field Staff.....	116	150	117	117	...
Total.....	263	327	268	268	...

TOTAL WORKYEARS

	ACTUAL 1980	BUDGET ESTIMATE 1981	CURRENT ESTIMATE 1981	ESTIMATE 1982	INCREASE + DECREASE - 1982 vs 1981
* Central Office..	161	177	153	153	...
Field Staff.....	118	150	117	117	...
Total.....	279	327	270	270	...

* Does not include 8 reimbursable positions

(1) HEADQUARTERS EMPLOYMENT

	PERMANENT FULL-TIME POSITIONS				
	ACTUAL 1980	BUDGET ESTIMATE 1981	CURRENT ESTIMATE 1981	ESTIMATE 1982	INCREASE + DECREASE - 1982 vs 1981
Administrator's Office..	23	25	18	18	...
* Insurance Operations....	33	35	32	32	...
Natural Hazards Reduction	29	45	34	34	...
Program Implementation and Engineering.....	62	72	67	67	...
Total, Permanent full-time positions, end of year.....	147	177	151	151	...

	TOTAL WORKYEARS				
	ACTUAL 1980	BUDGET ESTIMATE 1981	CURRENT ESTIMATE 1981	ESTIMATE 1982	INCREASE + DECREASE - 1982 vs 1981
Administrator's Office...	25	25	18	18	...
Insurance Operations.....	35	35	32	32	...
Natural Hazards Reduction	33	45	34	34	...
Program Implementation and Engineering.....	68	72	69	69	...
Total Workyears	161	177	153	153	...

a. Administrator's Office

	ACTUAL 1980	BUDGET ESTIMATE 1981	BUDGET ESTIMATE 1981	CURRENT ESTIMATE 1982	INCREASE + DECREASE - 1982 vs 1981
Permanent full-time positions.....	23	25	18	18	...
Total Workyears.....	25	25	18	18	...

* There are 8 reimbursable positions located in this office, but not included in the totals.

This office provides overall direction and supervision to the programs.

This increase will provide support to the Administrator. This office provides overall direction and supervision to the programs.

b. Office of Insurance Operations

	ACTUAL 1980	BUDGET ESTIMATE 1981	CURRENT ESTIMATE 1981	ESTIMATE 1982	INCREASE + DECREASE - 1982 vs 1981
Permanent full-time positions.....	33	35	32	32	...
Total Workyears.....	35	35	32	32	...

No change is requested in this office which oversees the insurance components of FIA's program. Five divisions comprise the Office of Insurance Operations.

— Underwriting and Statistical Analysis Division - Responsible for analyzing and maintaining statistical reports for all programs, providing underwriting guidance and policy service support to the National Flood Insurance Program (NFIP), and developing relevant insurance and reinsurance contracts for all programs.

— Claims Division - Responsible for providing expertise and policy guidance on FIA's overall insurance claims programs, adjusting all claims under the Riot Reinsurance Program, investigating and resolving all special and contested claims under the NFIP and the Federal Crime Insurance Program (FCIP), and establishing policy on reviewing claim adjustment procedures and practices.

— Insurance Advisory Division - Responsible for providing technical insurance services to other offices of FIA, other FEMA components, other Federal, state, and local agencies, serving as FIA liaison with other FEMA offices on disaster response and preparedness, and loss mitigation activities, and providing technical assistance on any FIA insurance studies, such as earthquake and landslide insurance feasibility.

— National Flood Insurance Operations Division - Responsible for providing monitoring support to oversee the operations of the NFIP with regard to policy processing, claims, map distribution, agent training, and the Map Information Facility.

— Urban Property Insurance Operations Division - Responsible for overseeing the operation of the FCIP, reviewing and evaluating the administration and operation of State FAIR Plans and reviewing residual market trends, and matters pertaining to insurance availability. (There are eight reimbursable positions contained in this Division which are not included in the totals.)

c. Office of Natural Hazards Reduction

	ACTUAL 1980	BUDGET ESTIMATE 1981	CURRENT ESTIMATE 1981	ESTIMATE 1982	INCREASE + DECREASE - 1982 vs 1981
Permanent full-time positions.....	29	45	34	34	...
Total Workyears.....	33	45	34	34	...

No change is projected in this office which is responsible for the hazard mitigation aspects of the flood program. The office consists of the Assistant Administrator's office which directs and supervises the staff and three operating divisions as follows:

— State and Local Programs Division - administers the State Assistance Program, administers the eligibility and compliance requirements governing participation in the NFIP, and manages the special studies program.

— Technical Assistance Division - administers the acquisition of flood-damaged property program and develops policies, programs, standards and design criteria to improve and add to the techniques and strategies available for overall flood plain management.

— Regulatory Development - formulates, drafts, and interprets floodplain management regulations for the NFIP, participates in the implementation of Executive Order 11988, and prepares environmental assessments for proposed rules changes.

d. Office of Program Implementation and Engineering

	ACTUAL 1980	BUDGET ESTIMATE 1981	CURRENT ESTIMATE 1981	ESTIMATE 1982	INCREASE + DECREASE - 1982 vs 1981
Permanent full-time positions.....	62	72	67	67	...
Total workyears.....	68	72	69	69	...

This office is responsible for the technical aspects of the flood program. This office consists of the Assistant Administrator's office and three operating divisions:

— Program Implementation Division - develops the systems and techniques for field operations, coordinates community consultation procedures, and monitors the activities of the regional office staff.

— Engineering Division - establishes the methods and techniques for study and elevation of flood hazards, directs the engineering and hydrology studies, and arranges for publication of all maps and related information.

— Planning and Control Division - responsibilities include:

(1) contract administration;
(2) development of standards and procedures;
(3) management analysis;
(4) cost and schedule analysis; and
(5) development of office goals and budgets.

(2) FIELD STAFF

	ACTUAL 1980	BUDGET ESTIMATE 1981	CURRENT ESTIMATE 1981	ESTIMATE 1982	INCREASE + DECREASE - 1982 vs 1981
Permanent full-time positions.....	116	150	117	117	...
Total Workyears.....	118	150	117	117	...

No increase is projected in the field staff. Each regional office is headed by a FEMA Regional Director who reports to the FEMA Director. Since the Regional Director is responsible for all FEMA activities in his/her region, staff is shifted among activities according to the Director's priorities. Thirty positions, nationwide, are assigned exclusively to insurance and mitigation activities. The remaining positions can be reassigned, at any time, to other activities.

FIA has developed and refined workload standards for the field staff. These standards were developed through interviews with the field staff conducted by FIA staff and staff from the Office of Administration, HUD. The specific workload factors and the standards so developed, as well as a few new activities (assigned since the standards were developed), are depicted in the following table. In most cases the measurement unit used is contact with the community including the time necessary for preliminary research, travel time when appropriate, preparation of trip reports, recommendations, decisions, and any follow-up action required by the field staff. There continues to be on-going effort to refine the standards.

Field Staffing Requirements

The following table depicts required workload for 1981 and 1982 based on workload standards, where applicable.

	1981	1982
1. Community Enrollment	1	1
2. Communtiy Coordination	7	4
3. GTM/GTR Activities	14	12
4. V-Zone and Wave-height	5	...
5. Conversion Assistance	14	17
6. Accelerated Conversions	7	...
7. Engineering Responses	6	6
8. Community Monitoring	13	14
9. Hazard Mitigation - Technical Assistance	43	38
10. Disaster Response	10	10
11. Workshops and Seminars	11	10
12. Executive Order	15	15
13. State Assistance	15	16
14. Program Coordination	5	5
15. Management	27	24
16. Clerical	49	44
Total Workyears	242	216

The workload standards yield a deficiency of 125 staff years in 1981 and 99 in 1982. Many of these activities must be postponed to future years.

OTHER OBJECTS OF EXPENSE

	ACTUAL 1980	BUDGET ESTIMATE 1981	CURRENT ESTIMATE 1981	ESTIMATE 1982	INCREASE + DECREASE - 1982 vs 1981
			(Dollars in Thousands)		
Travel and Transportation of Persons	$ 558	$ 790	$ 711	$ 796	$+$85
Transportation of Things	...	...	...	...	...
Rent, Communications and Utilities	...	...	...	...	...
Printing and Reproduction	...	...	...	...	...
Other Services	450	1,601	190	385	+195
Supplies and Materials	...	...	...	...	...
Equipment	...	...	...	...	...
Total Other Objects	$1,008	$2,391	$ 901	$1,181	$+280

The increase in travel reflects the shift in emphasis to technical assistance, particularly with duties contained in the Interagency Agreement for Nonstructural Damage Reductions and the large increases in the cost of air travel.

The increase in other services results from contractual services unique to FIA's programs.

All Administrative and housekeeping funds are budgeted in Management and Administration, FEMA.

c. Changes from Original FY 1981 Estimates. The reduction in 1981 is a result of the following (in thousands of dollars):

$11,579 - Original request
- 801 - Carry over
- 71 - President's Carter's March 1980 reduction
- 547 - FY 1981 appropriation percentage reduction
- 987 - Transfer to Management and Administration for administrative expenses
+ 303 - Payraise effective October 1980
- 228 - President Reagan's March 1981 reduction
$+9,248 - Current estimate

d. FY 1982 Activity. The proposed staffing level will provide minimal support to the programs administered by the Federal Insurance Administration. The staff will supervise and monitor studies underway, initiate restudies, provide technical assistance to communities in flood plain management, examine the operations of State FAIR Plans, and review disputed claims. The staff will supervise, monitor, and provide technical guidance necessary to operate the National Flood Insurance Program, the Federal Crime Insurance Program, and the Riot Reinsurance Program. Very little technical assistance can be initiated at this staffing level, and few communities will be monitored for compliance with flood plain management ordinances.

2. Flood Insurance Studies

a. Authority. The National Flood Insurance Act of 1968 authorizes a National Flood Insurance Program. This program enables property owners to buy insurance against losses resulting from physical damage to or loss of real or personal property arising from floods.

Amendments to the program which were enacted in December 1969 expanded the definition of "flood" to include mudslides (i.e., mudflows) caused by accumulations of water, which cause a river of mud to slide down a hill causing property damage to buildings, and provided for a temporary emergency program to speed up the availability of coverage. Additional amendments enacted in 1973 clarified the types of coverage.

The Flood Disaster Protection Act of 1973 (P.L. 93-234), effective December 31, 1973, further amended the program. The Act substantially increased the limits of coverage and made other changes in available insurance coverage. In addition, the Act provided strong incentives for the purchase of flood insurance and for community participation, designed to reduce future flooding and Federal disaster relief outlays.

The Act also required consultation with appropriate elected officials of local governments regarding the community's flood hazard, established procedures for communities wishing to appeal FIA determinations regarding the flood hazard, and repealed the prohibition against payment of Federal disaster assistance benefits for losses to property eligible for flood insurance.

The Act was amended in 1974 to require lenders to notify borrowers when the property they wished to purchase is in a flood hazard area and to allow special consideration for actuarial rates in areas where Federal flood protection works are underway.

In 1977, the Act was amended to increase the limits of coverage under the regular program, provide reimbursement for map appeals under some circumstances, provide low interest loans for reconstruction in floodways and eliminate the requirement for federally-related mortgage institutions to require flood insurance in nonparticipating communities.

The Act contemplates a dual approach to the problem of flood damage. Insurance will be available on a subsidized basis for existing structures and at risk premium (actuarial) rates for new structures to cover flood losses; and, as a condition for availability of insurance, communities must also adopt and enforce flood plain management measures to reduce the probability and severity of damage.

In order to accomplish the above, flood-hazard areas had to be identified initially. During FY 1979, it was determined that the identification process was significantly well enough underway to be able to change the emphasis of the program toward hazard reduction or hazard mitigation. Technical assistance efforts relating to flood plain management are being expanded to this end. The activities associated with the change in emphasis will ultimately provide the payoff to the taxpayers for the costs of identification and insurance subsidies.

The amount of unsafe construction in the nation's floodplain will be reduced at an increasing rate, thereby lowering the increase in government liability that has occurred in the past.

b. Objective/Program Description

(1) Flood Plain Management Measures. Flood insurance can only be offered in areas that adopt and enforce flood plain management measures. Criteria have been promulgated by regulation (44 C.F.R.60) which have the following objectives:

--To restrict the unwise and unsafe development of land exposed to severe flood damage;

--To guide the development of proposed construction away from areas threatened by severe flood hazards;

--To provide minimum building safety standards for any structures which may be constructed in such areas;

--To assist in reducing damage caused by floods; and

--To improve the long-range management and use of flood prone areas.

(a) Notification to Flood Prone Communities. Section 201 of the Flood Disaster Protection Act of 1973 requires the Agency to publish information on known flood prone communities and to notify them of their tentative identification as such. To accomplish the task, the Federal Insurance Administration (FIA) issues a Flood Hazard Boundary Map to each flood prone community. The community must thereafter either apply for participation in the program or satisfy the Director that it is no longer flood prone. A hearing may be granted to resolve disputed cases, but the Director's decision is final.

During the early stages of preparing Flood Hazard Boundary Maps, certain technical and administrative problems were encountered. These have been overcome through close cooperation between FIA, the States and the communities. Communities are now given time to comment, prior to placing the maps in effect in order to provide a forum for community input. FIA continues to work closely with communities on any difficulties that develop.

There are approximately 19,000 known flood prone communities in the Nation, many of which have come to FIA's attention since the passage of the 1973 Act. As information becomes available concerning other flood prone communities, the Director is required to notify these communities of their status.

(b) Community Eligibility. Flood insurance coverage is available only in communities which have been designated as eligible by the Federal Insurance Administrator. In order to qualify for the sale of flood insurance, the community must:

--Adopt and enforce flood plain management measures which meet minimum Federal standards designed to minimize exposure of future construction to flood hazards; and

--Officially apply for participation in the National Flood Insurance Program.

Although a community may enter the program at any time, it should take these actions within one year after being notified of its flood-prone status. Should the community fail to do so, no Federal financing is available for the acquisition or construction of buildings in identified areas of special flood hazard--with the exception of special provisions for previously existing and occupied structures--until the community enters the program or the Administrator revokes the identification.

(2) Insurance Program.

(a) Regular Program. The program authorized by the 1968 Act envisions the study of each area in which flood insurance is made available in order to determine the insurance premium rates which would be required--on a sound actuarial basis--to pay all expenses and losses over a reasonable period of years. As a basis for the establishment of such rates, contracts are entered into with other Federal agencies (U.S. Corps of Engineers, U.S. Geological Survey, etc.) or with qualified private firms to develop data, such as flood frequency and depth damage relationships, necessary for setting actuarially sound premium rates. The requested appropriation is for this purpose.

Recognizing that the studies could not all be undertaken at once and that there would be delays in a community becoming eligible for the regular program, Congress enacted emergency provisions in 1969, making it possible for the Administrator to designate a community as eligible for flood insurance without the necessity of waiting for completion of the rate-making study, thus accelerating the extension of insurance availability to new areas.

(b) Emergency Program. Pursuant to the Housing and Urban Development Act of 1969, as amended, flood insurance may be made available until September 30, 1982, for participating areas prior to establishment of actuarial rates. Flood plain management measures are required under the emergency program, but the limits of coverage under this phase are considerably less than the limits available under the regular program.

(3) PROGRAM ACTIVITY

The process by which a community ultimately enters the Regular Program usually begins with a determination by FIA that the community contains areas of special flood hazards. Flood Hazard Boundary Maps are prepared for the community which indicate the location of these areas, and the community is notified of its flood-prone status. Communities must then either apply for participation in the program or demonstrate that they are not flood-prone. If, within one year of notification, they do not elect to participate in the program and are unable to demonstrate that they are not flood-prone, they become ineligible for Federal financial assistance for acquisition or construction in the flood-prone areas of such communities, except for special provisions relative to previously existing and occupied structures.

Communities that elect to participate in the National Flood Insurance Program become eligible for federally subsidized flood insurance after they first adopt and enforce the minimum required flood plain management measures and officially apply for participation in the program.

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At this point, property owners in the community may obtain flood insurance at subsidized rates up to the maximum coverage permitted under the Emergency Program. In order to make additional coverage available at actuarial rates under the Regular Program, the FIA typically must initiate and conduct a time consuming detailed risk zone and elevation study which results in Flood Insurance Rate Map. During the study, representatives of the community are kept advised of progress and given an opportunity to provide input. Following the completion of the detailed study, FIA is required by statute to afford local community officials an opportunity to formally examine the final draft rate map and appeal its elevation. When all appeals have been settled, necessary revisions made to the rate map, and appropriate ordinances adopted, the community then enters the Regular Program.

If a community has no identified special flood hazard areas or if developmental pressures and flooding conditions are such that a detailed risk zone and elevation study would not be cost beneficial, a community may enter the Regular Program without a detailed elevation study or with a study that is less costly and less complex that the detailed elevation study.

(a) Identification of Special Flood Hazard Areas. Flood Hazard Boundary Maps are prepared which show the local community and the special flood hazard areas. These maps are based on such information as historical records of high water, hydrological and hydrographic analysis of the area and the watershed, climatological studies, and (for coastal areas) analysis of storm tract and bathymetry.

(b) Community Eligibility. Flood-prone communities that elect to participate in the National Flood Insurance Program become eligible for federally subsidized flood insurance. In order to qualify for this insurance, communities must adopt and enforce minimal flood plain management measures to minimize exposure of new construction to flood hazards, and must officially apply for participation in the National Flood Insurance Program. As of September 30, 1980, there were 16,931 communities eligible for flood insurance.

(c) Detailed Risk Zone and Elevation Studies. Hydrological and engineering studies are necessary to establish elevations for probable frequency of inundation at a significant number of flood stages, and the resulting map divides the flood hazard area into a number of rate zones with the estimated actuarial premium rates to provide flood insurance on a self-sustaining basis. These rates are further differentiated to reflect the type of structure, the elevation of the lowest habitable floor, and the use of the structure.

Because these studies are necessary before critically flood-prone communities can establish truly effective flood plain management measures and enter the Regular Program, their completion as rapidly as possible is the highest priority within the Federal Insurance Administration. The following table shows the progress made to date and projections through 1982.

STATUS OF DETAILED
RISK ZONE AND ELEVATION STUDIES

	ACTUAL 1980	ESTIMATE 1981	ESTIMATE 1982
Studies completed, beginning of year	4,488	5,867	7,039
Studies assigned during year:	562	353	64
Communities not in Regular Program (new)	(199)	(51)	...
Wave heights	(267)	(225)	(50)
Additional areas within communities in the Regular Program (restudy update)	(96)	(77)	(14)
Studies completed during year (appeal process started)	1,379	1,172	980
Studies completed, end of year (accumulative)	5,867	7,039	8,019
Communities with elevations in Regular Program at end of year	4,330	6,043	7,743
Non-participating & suspended	114	103	95
* Communities without elevations in Regular Program at end of year	1,161	2,761	5,361

* Estimated 1,000 in FY 81, 2,000 in FY 82: Accelerated Conversion Process

In the last two years, the emphasis in the National Flood Insurance Program has been redirected from primarily a mapping effort to an indepth technical assistance effort. As a result, FIA has concentrated its scarce resources on those communities that have both a substantial flood potential and considerable flood plain development or pressure for development. Approximately 81% of the Nation's population residing in flood prone areas are in the 8,400 communities that have been studied or are currently under study. Up to 3,000 non-developing communities, where significant flood losses are unlikely, will not be studied, since detailed studies are not cost-beneficial. Those that will not be studied will be converted to the Regular Program on the basis of their Flood Hazard Boundary Maps. This process which is called the "Accelerated Conversion Process", will take place over the next two to three years. FIA is investigating ways of providing elevation information to these communities for use in flood plain management without a full detailed study. The remaining communities, which have not been studied and cannot be converted by the accelerated method, will need a detailed study. FIA plans to find other methods of studying those communities. While reducing the cost of the study and the time involved, FIA will retain the quality of the studies, if not improve it. Even though extensive progress has been made toward completing studies, FIA will not be able to meet the Congressional mandate of completing studies of all flood prone communities by August 1983, because of previous budgetary constraints.

c. Changes from Original FY 1981 Estimates.

The reduction in the 1981 budget authority request is a result of the following:

$50,191	- original request
-405	- President's March reduction
-2,000	- Congressional reduction
-228	- President Reagan's March 1981 reduction
$ 47,558	

d. FY 1982 Activity. The FY 1982 appropriation request provides funding for 64 restudies. Of these, 50 are wave height additions in coastal communities. No new risk zone and elevation studies can be initiated at this funding level. Other activities include:

--continuation, supervision, and monitoring of flood insurance studies initiated in prior years
--acceleration of conversions of non-developing communities to the Regular Program
--conversion of communities to the Regular Program which have flood insurance studies completed
--provision of technical assistance to communities in which development is occurring and/or which have previously been studied
--monitoring communities for compliance with flood plain management ordinances.

The breakdown of the appropriation by year is as follows:

	1980	1981	1982
Studies in progress	13.2	6.2	8.0
New studies	11.9	3.0	...
Restudies	6.8	6.3	2.8
Flood Hazard Boundary Maps	2.6	3.4	3.4
Special Studies	1.1	1.1	1.7
Technical Evaluation	18.6	24.8	23.2
Printing/Mailing	2.6	3.0	3.0
Data Storage	...	...	0.5
Reprogrammed to other FEMA offices	1.5	...	...
	58.3	47.8	42.6

3. Purchase of Property

a. Authority. Section 1362 of the National Flood Insurance Act of 1968, (P.L. 90-488), as amended, provides the Federal Insurance Administrator with authority to negotiate for the purchase of flood damaged structures, for permanent removal from flood risk areas.

b. Objective/Program Description. After the acquisition authority was legislatively created in 1968, a research study was undertaken to determine the feasibility of purchases pursuant to the Section as a means to help reduce spiraling Federal expenditures resulting from floods. Findings of the study completed in 1979 showed that acquisition of properties under Section 1362 could make a significant contribution to Federal flood damage reduction activities. In particular, that study showed that presently 7% of all flood insurance claims involve structures eligible for purchase under 1362, but these claims account for about 25% of all insurance payments for structural damage. In some parts of the country and for some types of structures, this percent is much higher. If this trend of repetitive flooding continues, damages to these same properties over the next ten years will exceed what it would have cost to purchase them at the time they were initially damaged. Thus, it has been shown that a small focused program could have a large impact on reducing insurance subsidies. FY 1980 was the first year of implementation of the program and was used to demonstrate the role Section 1362 can play in flood hazard mitigation.

Section 1362 authorizes Federal purchase of properties covered by flood insurance after they have sustained severe and/or repeated flood damage, or have sustained significant damage from a single casualty of any nature in respect to which the community prohibits repair. Purchase can take place only from a willing seller and only for transfer to State or local governments that agree to accept the properties subject to open space use restrictions recited in the deed of conveyance to the State or local government.

Communities are selected for participation in 1362 acquisition initiatives on the basis of comparative weighting of priority factors for determining whether acquisition of structures will be in the public interest as is required by Statute. These priority factors include, among other things, the community's willingness to pursue a strong program of flood plain management and flood damage reduction which exceeds Federal minimum criteria. Communities which have been determined to be eligible candidates must then meet additional requirements for final eligibility approval including:

-- adequate compliance with National Flood Insurance Program flood plain management requirements;

-- submittal of a land use plan for acquired properties meeting open space requirements;

-- signing of an agreement with the Federal Emergency Management Agency providing assurance that the community will accept conveyance by FEMA of title to acquired property and maintain such property for open spaces purposes in perpetuity.

Property owners are selected for participation in the 1362 program on the basis of their meeting the minimum statutory criteria and by the application of priority factors assuring that the acquisition would be in the public interest. Property appraisals are conducted for all eligible properties selected for acquisition. Based upon a property appraisal an offer to sell real property is prepared and presented to the property owner. If the owner offers to sell the property for the appraised market value and if the offer is accepted, settlement and closing actions are commenced.

Program Activity. FY 1980 was the first year of implementation of the Section 1362 program. During the year, specific accomplishments were:

-- writing and publishing the necessary rules, guidelines, handbooks, and Environmental Impact Statement for program operations;

-- providing initial training and guidance to the Regional Office staff responsible for carrying out the program in the field;

-- coordinating program implementation with Federal, State, local, and voluntary agencies;

-- demonstrating the general public acceptance of the 1362 acquisition program by the willingness of local governments to participate in the program and by the willingness of property owners to sell properties subject to recurrent flooding;

-- demonstrating the cost saving capabilities of the program by committing to purchase for $5.5 million, properties which had received $2.4 million in flood insurance payments in only the past five years.

Section 1362 funds were committed for the following acquisitions during FY 1980:

	PROJECT	FLOODING	PROPERTIES	COST
1.	Clay County, MN	Platte River	6	$ 556,000
2.	Gulf Shores, AL	Gulf of Mexico	5	1,068,400
3.	Arnold, MO	Meramec River	34	831,333
4.	San Bernandino, CA	Harrison Canyon	20	1,497,754
5.	Phoenix, AZ	Salt & Gila Rivers	4	186,664
6.	No. Stratford, NH	Connecticut River	1	58,000
7.	Scituate, MA	Atlantic Ocean	8	395,200
8.	Cowlitz County, WA	Toutle River	16	914,800
	* Project Administration			63,997
	Total		94	$5,572,148

* Includes appraisals, escrow service, title insurance, and recording fees.

c. Changes from Original FY 1981 Estimates. No changes were made from the original FY 1981 estimate.

d. FY 1982 Activity. In FY 1982, FIA will initiate new acquisition projects in an estimated ten communities involving approximately 93 new individual acquisitions. Work will continue on acquisition projects started in FY 1981.

4. Assistance to States

a. Authority. The National Flood Insurance Act of 1968, as amended, authorizes a National Flood Insurance Program. The Act provides for FIA to assist States and local jurisdictions in the application of flood plain management measures.

b. Objective/Program Description

(1) Objectives

The State Assistance Program of the National Flood Insurance Program (NFIP) is designed to promote an intergovernmental flood hazard mitigation partnership by providing States with the opportunity to strengthen their role in NFIP flood hazard mitigation activities. The Program will provide individual States an opportunity to complement NFIP activities by developing, implementing, and evaluating approaches to accomplish NFIP objectives through State programs. It is intended that each State undertake activities consistent with its demonstrated capability in NFIP and flood hazard mitigation activities. The Program is designed to increase existing State capabilities as well as develop new ones. In turn, States will assist in increasing their communities' capabilities to develop, implement, and administer the flood hazard mitigation measures mandated by the NFIP.

This approach attempts to insure that a State undertake activities consistent with its capabilities. As applied to the State Assistance Program, this means that the State should not provide assistance to constituent communities unless they have already developed the foundation from which to do so. It is the role of FEMA to insure that this foundation is developed within the context of comprehensive flood hazard mitigation, and that each State progresses towards the overall objective of providing the needed technical assistance to constituent communities. Thus, the State Assistance Program has a long-term pay-off which, in some instances, may require an initial investment to obtain the long-term returns of improved flood hazard mitigation at the local level.

(2) Purpose

The 17,000 communities participating in the NFIP must adopt, enforce and administer flood plain management programs as a quid pro quo for the availability of insurance or be subject to the lending sanctions of non-participation as mandated by the Congress. In most instances, participation in the NFIP is a community's first encounter with regulating flood plain use and in many cases their initial exposure to land use regulation in general. The Federal Government has an obligation to make available to local officials, to the maximum extent possible, avenues of technical assistance that allow for the effective implementation of the flood plain management programs required by the NFIP. Failure to do so undermines the long-term success of the NFIP as intended by the Congress.

As one of its missions, FEMA was formed to focus the Federal hazard mitigation effort in one agency. A high priority within FEMA is flood hazard mitigation. The Federal Insurance Administration (FIA) has the legislatively established reponsibility within FEMA for identifying the Nation's flood plains and encouraging State and local governments to adopt flood hazard mitigation measures in order to reduce flood hazards, to prevent losses of life and property, and to reduce the spiralling costs associated with flood damage. Part of this responsibility involves promoting a working understanding of the objectives of the NFIP and the concepts and methods of flood hazard mitigation. To address this responsibility, FEMA provides general and technical assistance to communities intended to increase capabilities under the NFIP. To continue these efforts in the face of the increasing number of communities participating in the NFIP's Regular Program, intensified assistance demands must be met.

States are in a key position to support NFIP activity and to assist FEMA in addressing these intensified assistance demands. The power and right to regulate land use lies with the States. Therefore, the responsibility for adequately regulating flood prone areas to mitigate flood losses rests with the State and its local communities. An inherent part of the State's reponsibility is to assure coordination of Federal, State, and local flood hazard mitigation efforts and to provide its local communities with assistance in developing adequate measures to regulate flood prone areas. Part of the mitigation mission of FEMA is to encourage States to develop the kinds of expertise needed to meet their responsibilities.

It is unrealistic to expect that FEMA will ever be able to acquire the field staff necessary to be responsive to the intensifying technical assistance demands of the 17,000 communities which must adopt and administer the flood plain management programs as a condition of participation in the NFIP. Furthermore, expanding Federal staff resources does not address the need for the development of State level capability to be responsive to the unique problems and needs of each State's communities in the area of flood hazard mitigation. FEMA recognizes that State capacity to deal effectively with these areas is essential to the ultimate success of the NFIP.

(3) Program Description

The State Assistance Program is designed for all States which submit acceptable applications regardless of their present level of involvement or degree of expertise in NFIP and flood hazard mitigation activities. It is structured to recognize the fact that States have individual needs and different levels of sophistication in dealing with the NFIP. Thus, the State Assistance Program allows each State the flexibility necessary to develop its application to accommodate the unique characteristics of the State and its communities, and allows each State to undertake an appropriate level of effort.

In developing an application, the State in conjunction with FEMA shall choose tasks meeting the objectives of the Program elements set forth below:

Assessment - The objective of the Assessment element is to provide a State with the opportunity to examine and evaluate current State and local NFIP and flood hazard mitigation activities. Then, a plan for future action shall be developed.

This plan shall be designed to expand the State's role in NFIP coordination and flood hazard mitigation activities. Its implementation will become the basis for future State Assistance Program funding. Generally, this element is designed for States which have not developed a formal state-wide flood hazard mitigation program and have been minimally involved in NFIP activities.

Information and General Assistance - The objective of the Information and General Assistance element is to provide a State with the opportunity to promote an increased understanding of NFIP and flood hazard mitigation concepts and provisions. Activities under this element will enable a State to use various approaches (e.g., workshops, seminars, A/V materials, publications, etc.) to provide information to constituents (e.g., State officials, community officials, planners, code administrators, developers, realtors, lending institutions, the general public, etc.) on the National Flood Insurance Program and flood hazard mitigation.

Community Services - The objective of the Community Services element is to involve States in working closely with local government officials in the mechanics of implementing and administering flood hazard mitigation programs. The tasks are designed for States with strong State flood hazard mitigation laws, programs, and policies.

A State's application may contain a mix of tasks chosen from among the different elements. They may not simply be a continuation of on-going State activities. They must be new or substantially expanded efforts consistent with State Assistance Program objectives. All task choices must be explicitly justified as they: address the NFIP's objectives, address the State's and its communities' needs, reflect the State's capacity to accomplish the tasks, and reflect the State's intent to continue after the project's end.

(4) Goals

The ultimate goals of the State Assistance Program and the NFIP are to reduce loss of life and flood damage and to lower Federal expenditures related to flood damage recovery. In order to achieve these goals in a partnership setting, the State Assistance Program has been designed with the intent of achieving several expected accomplishments. These accomplishments are the hazard mitigation tool needed for the Federal, State and local flood hazard mitigation partnership to achieve the ultimate goals of the NFIP. These expected accomplishments include:

- Strengthened State enabling legislation;
- Development of adequate standards and criteria for local regulation;
- Improvement of State and local flood plain regulations;
- Centralized and responsive information services and data sources in each State;
- Improved accessibility of the public to information about flood hazards at the State and local level;
- Substantial increase nationwide in the number of competent individuals at all levels of government that are knowledgeable about flood hazard mitigation (particularly at the local level which is close to the problems);
- Substantial increase in technical assistance to communities to maximize the use of successful flood hazard mitigation strategies and methods;
- Sufficient monitoring and evaluation to assure community compliance with State and local regulations.

(5) Funding

During FY 1980 (first year of implementation) and FY 1981, the State Assistance Program was fully funded by the Federal Government at $4.5 million and $5.0 million, respectively. The FY 1982 budget proposes $3.0 million and 50/50 Federal State sharing of the costs of the program. While this approach makes a greater financial commitment possible, a significant number of the less active states may no longer participate in the program without full Federal funding until the benefits of the program can be demonstrated to them.

State Assistance Program Activity

STATE	1980 ACTUAL	1981 ESTIMATE
REGION I		
Connecticut	$ 50,000	$ 50,000
Maine	50,000	50,000
Massachusetts	185,000	105,000
New Hampshire	50,000	50,000
Rhode Island	59,513	50,000
Vermont	47,865	50,000
	442,378	355,000
REGION II		
New Jersey	150,000	135,000
New York	191,917	200,000
Puerto Rico	100,000	*
Virgin Islands	35,700	*
	477,617	335,000
REGION III		
Delaware	50,000	50,000
District of Columbia	37,800	*
Maryland	49,992	50,000
Pennsylvania	200,000	200,000
Virginia	85,000	75,000
West Virginia	60,000	50,000
	482,792	425,000
REGION IV		
Alabama	100,000	115,000
Florida	255,000	200,000
Georgia	75,000	55,000
Kentucky	72,473	70,000
Mississippi	95,000	85,000
North Carolina	84,273	85,000
South Carolina	24,000	50,000
Tennessee	49,282	50,000
	755,028	710,000
REGION V		
Illinois	175,000	135,000
Indiana	50,000	50,000
Michigan	175,800	115,000
Minnesota	100,000	65,000
Ohio	105,000	105,000
Wisconsin	77,920	65,000
	683,720	535,000

State Assistance Program Activity

REGION VI		
Arkansas	50,000	50,000
Louisiana	186,270	200,000
New Mexico	69,000	50,000
Oklahoma	62,000	50,000
Texas	200,000	200,000
	567,270	550,000
REGION VII		
Iowa	50,000	50,000
Kansas	26,967	50,000
Missouri	108,714	80,000
Nebraska	49,880	50,000
	235,561	230,000
REGION VIII		
Colorado	50,000	50,000
Montana	43,932	50,000
North Dakota	65,000	50,000
South Dakota	DECLINED	50,000
Utah	50,000	50,000
Wyoming	56,589	50,000
	265,521	300,000
REGION IX		
Arizona	120,000	50,000
California	199,600	200,000
Guam	28,205	*
Hawaii	DECLINED	50,000
Nevada	50,000	50,000
	397,805	350,000
REGION X		
Alaska	55,000	50,000
Idaho	49,827	50,000
Oregon	DECLINED	50,000
Washington	50,000	55,000
	154,827	205,000
REGIONAL TOTALS	$4,462,519	$3,995,000
Project Administration and Internal Reallocation	137,481	...
*Reserve for D.C., V.I., P.R., and Guam	...	200,000
Supplemental Project Fund	...	804,000
	$4,600,000	$4,999,000

c. Changes from Original FY 1981 Estimates

The estimate for FY 1981 has been reduced from $6.0 million to $5.0 based on actions in the 1981 HUD-Independent Agencies Appropriation Bill.

d. FY 1982 Activity

In FY 1982, FIA plans to initiate fifty-four cooperative agreements with States, on a 50/50 cost-sharing basis in order to continue the program initiated in FY 1980.

FIA will continue a program which allows States to respond to the technical and general assistance demands of their constituent communities in order to (1) develop the capability and demonstrate the value of institutionalizing state participation in expediting and improving flood plain management at the local level, and (2) help insure the proper implementation and administration of NFIP flood plain management standards at the local level.

Hazard Mitigation and Disaster Assistance
Federal Insurance
Object Classes
(In thousands of dollars)

Direct Obligations

Code	Object Class	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982
	Personnel compensation:				
11.1	Permanent Positions	$ 7,171	$ 7,401	$ 6,791	$ 5,528
11.3	Positions other than permanent	141	75	76	191
11.5	Other Personnel compensation	68	34	50	43
	Total Personnel compensation	$ 7,380	$ 7,510	$ 6,917	$ 5,762
	Personnel benefits:				
12.1	Civilian	$ 708	$ 734	$ 664	$ 542
21.0	Travel and Transportation of Persons	558	790	711	796
21.1	Interagency Motor Pool	-	-	-	-
22.0	Transportation of Things	27	112	25	9
23.1	Standard Level User Charges	725	412	414	-
23.2	Comm., Utilities & other Rent.	18	180	1,370	-
24.0	Printing and Reproduction	2,992	2,304	1,630	3,000
25.0	Other Services	60,157	60,803	50,060	43,381
26.0	Supplies and Materials	153	184	125	-
31.0	Equipment	20	141	117	-
32.0	Lands and Structures	5,400	-	5,400	5,400
41.0	Grants, Subsidies and Contributions	-	-	-	-
42.0	Insurance Claims and Indemnities	-	-	-	-
43.0	Interest and Dividends	-	-	-	-
99.0	Total direct obligations	$78,138	$73,170	$67,433	$58,890

Fire Prevention and Control

The objective of this program is to reduce fire deaths, injuries, incidents, and property and other economic loss by conducting and supporting activities which focus on significant facets of the national fire problem. Major activities include:

- Arson Prevention and Control, under which technical methods for arson detection are developed for dissemination to State and local governments and public and professional education programs on the causes and prevention of arson are initiated;

- Emergency First Response, which seeks to increase the technical and operational skills of fire service personnel in responding to a wide range of incidents, from hazardous materials spills to radiological accidents;

- Firefighter Health and Safety, which attempts to reduce firefighter deaths and injuries through identification of occupational hazards and, in cooperation with industry, through development of improved clothing and equipment;

- Cost-Effective Fire Protection Management, which works through all levels of government to enhance fire prevention and control planning and management through information collection and dissemination, and building code and inspection program development;

- Academy Operations and Maintenance, which sustains the activities of the National Fire Academy at Emmitsburg, Maryland, as well as fire education programs at State and local levels of government; and,

- Residential Fire Safety, which promotes development of technology and public awareness programs designed to reduce the primary source of fire deaths in the United States.

FIRE PREVENTION AND CONTROL
(In thousands of dollars)

SUMMARY OF BUDGET ESTIMATES

I. Summary of Budget Request

PROGRAM HIGHLIGHTS PROGRAM LEVEL	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
Fire Prevention and Control		$12,381	$13,081			
Education		3,050	3,191			
National Fire Data Center		5,437	5,885			
Research and Development		3,894	4,005			
Facilities,Fire Academy		11,535	8,808			
A. Arson Prevention and Control	197			$ 1,331	$ 1,331	
B. Emergency First Response	199			939	939	
C. Firefighter Health and Safety	201			1,672	1,672	
D Cost-Effective Fire Protection Management	203			10,902	10,831	$ - 71
E. Academy Operations and Maintenance	207			3,219	3,205	- 14
F. Residential Fire Safety	209			3,122	3,122	
BUDGET AUTHORITY		$23,916	$21,889	$ 21,185	$ 21,100	$ - .85
BUDGET OUTLAYS		$23,297	$19,014	$ 20,547	$ 20,455	
PERMANENT POSITIONS - HEADQUARTERS		108	147	123	123	
- REGIONS		0	0	0	0	
TOTAL WORKYEARS		183	167	162	140	

II. Changes from Original FY 1981 Estimates
This program activity decreases by $704,000 due to:

o $ - 144,000	President's March reduction
o + 165,000	October 1980 pay raise
o - 654,000	Transferred to Management and Administration
o + 14,000	Academy renovation carry over
o - 85,000	President Reagan's March 1981 reduction
$ - 704,000	Net Decrease

Fire Prevention and Control
(In thousands of dollars)

A. Arson Prevention & Control

	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
Fire Prevention and Control					
Education	$ 767	$ 767 a/			
Research & Development	150	150			
Facilities, Fire Academy	414	414			
Office of Planning & Education			$ 548	$ 548	
Fire Research Center			150	150	
National Fire Academy			199	199	
Program Staff			434	434	
Office of Planning & Education			219	219	
National Fire Academy			215	215	
BUDGET AUTHORITY	$1,331	$ 1,331 a/	$ 1,331	$ 1,331	
BUDGET OUTLAYS	$1,331	$ 1,158	$ 1,291	$ 1,291	
PERMANENT POSITIONS - HEADQUARTERS	7	7 a/	7	7	
- REGIONS	0	0	0	0	
TOTAL WORKYEARS	12	10	11	11	

Changes from Original FY 1981 Estimates
None

a/ The budget justification did not reflect this level of activity. The funds and staff have been distributed to the activities of the new budget structure.

A. Arson Prevention and Control

1. Authority. Federal Fire Prevention and Control Act of 1974, as amended.

2. Objective/Program Description. Arson is the leading cause of dollar-loss due to fire ($1.2 billion). It is estimated that between 750 and 1,000 people die annually in arson fires, with between 10,000 and 15,000 people injured. Approximately one out of every four fires is intentionally set. According to the National Fire Data Center, arson was the major cause of non-residential deaths and injuries in 1978, and the leading cause of fire in most types of non-residential properities.

An issue of broad scope and complexity, arson is used to stop business losses, to remove low-income tenants, to create new land parcels for construction, to collect over-insurance monies, and/or to go to the head of the new apartment list on the welfare rolls. Criminal involvement, human behavior, social changes, economic trends and urban decay all contribute to the national arson epidemic, with arsonists motives ranging from revenge to arson-for-profit.

Governmental response to the national arson problem has been ineffective and uncoordinated. The lack of effective management at the federal, state, and local levels of government has greatly contributed to today's national arson problem. Failure to develop interagency and intergovernmental coordinated response to arson has made arson the safest major crime in the United States to commit. While the frequency of arson fires continue to spiral, arrest and conviction rates remain pathetically low with estimates for conviction being lower than 1% for all incidents.

The objective of the USFA arson prevention and control activity is to conduct programs that will: Remove economic incentives and deal with social causes; increase public awareness of the dangers and economic consequences of arson fires; effect the development of arson prevention and control programs at the federal, state and local level.

As a means to achieve these objectives, in 1981 and 1982, USFA will: develop technical arson detection methods for use by state and local governments in improving arson prevention, detection and control; develop programs for public education on the extent, causes and prevention of arson; develop management tools to assist federal, state and local fire services and law enforcement personnel in arson detection and conviction; and, deliver courses of instruction to develop or improve the investigative skills of fire service personnel.

3. Changes rrom Original FY 1981 Estimates. None

4. FY 1982 Activity. Develop arson strategies for state and local use. Provide local governmental agencies with the capability to recognize symptoms of arson through systematic resource analysis. Act as a clearing house on state and local arson programs on research, education and training programs. Assist fire departments in implementing counseling programs to reduce fires set by juveniles. Revise 1980 "Fire Investigator's Handbook" to accomodate new technical information and broaden scope. Evaluate state-of-the-art in analytical aids to arson detection. Present courses at the National Fire Academy and in the field on fire/arson investigation, fire/arson detection, and management of fire/arson investigation programs.

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B. Emergency First Response

	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
Fire Prevention and Control		[a]			
Education	$ 106	$ 106			
Facilities, Fire Academy	833	833			
Office of Planning & Education			$ 58	$ 58	
National Fire Academy			532	532	
Program Staff			349	349	
Office of Planning & Education			48	48	
National Fire Academy			301	301	
BUDGET AUTHORITY	$ 939	$ 939 [a]	$ 939	$ 939	
BUDGET OUTLAYS	$ 939	$ 817	$ 911	$ 911	
PERMANENT POSITIONS - HEADQUARTERS	4	4 [a]	4	4	
- REGIONS	0	0	0	0	
TOTAL WORKYEARS	7	7	7	7	

Changes from Original FY 1981 Estimates
None

a/ The budget justification did not reflect this level of activity. The funds and staff have been distributed to the activities of the new budget structure.

B. Emergency First Response.

1. Authority. Federal Fire Prevention and Control Act of 1974, as amended.

2. Objective/Program Description. Traditionally FEMA has operated at the federal and state level relying on local civil defense planners to carry out their "readiness" mission and handle "routine" or small-scale disasters. FEMA enters an area only when a major disaster has been declared. But in its Comprehensive Emergency Management planning, FEMA is now charged with handling emergencies as well.

For the purpose of USFA program identification, the term "First Responder" is used to identify the first arriving organized responder who has the capability and mission to contain, mitigate and/or resolve the emergency. This is equally applicable to the injured individual, the group medical disaster, the hazardous materials incident, the natural disaster, or any emergency incident that warrants a quick response. Early responders, who do not apply themselves to the direct mitigation or containment of an emergency would not normally be considered first responders; and the issue of who is in charge would not alter the first-responder definition.

Hardly a day passes that a disaster involving a train wreck, plane crash, tornado, flood, and fire does not occur somewhere in our country. Historically, the fire and rescue service has been the first on the scene with the training, equipment and experience from daily emergencies to assist in alleviating the destruction and disruption caused by such incidents. USFA has the unique opportunity to work with this major manpower resource and to accomplish, on the basis of risk definition, appropriate mitigation strategies for specific communities. Not only are the fire and rescue service the first responders in the event of a disaster, but they are the best available resource to recognize hazards before they happen through periodic inspections and natural familiarity with local areas.

The present objectives of the USFA's Emergency First Response activity are to: Coordinate with National, state and local government programs, which support and reinforce fire prevention and control and emergency rescue and control activities; increase the effectiveness of individuals in the fire and rescue service and allied professions by encouraging the standardization and upgrading of fire and emergency first response services, improving the management skills of fire officers, and developing equipment and on-scene procedures to increase safety of emergency response personnel.

As a means to achieve these objectives in 1981 and 1982, USFA will: Conduct studies in methods of commanding fire and emergency incidents and provide training based on findings; conduct studies in the management of Emergency Medical Service programs, provide training for Emergency Medical Service mangers.

3. Changes from Original FY 1981 Estimates. None

4. FY 1982 Activity. Conduct study of the causes of paramedic attrition and develop plans to mitigate paramedic turnover. Deliver courses in Basic Fire Tactics, Complex Fire Operations, Disaster Management, and Hazardous Materials Spill and Fire Management. Develop courses in Rural Fire Control Management and Urban Fire Control Management.

C. Firefighter Health and Safety

	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
Fire Prevention and Control					
National Fire Data Center	$ 758	$ 758 a/			
Research and Development	500	500			
Facilities, Fire Academy	414	414			
National Fire Data Center			$ 578	$ 578	
Fire Research Center			500	500	
National Fire Academy			313	313	
Program Staff			281	281	
National Fire Data Center			180	180	
National Fire Academy			101	101	
BUDGET AUTHORITY	$ 1,672	$ 1,672 a/	$1,672	$1,672	
BUDGET OUTLAYS	$ 1,672	$ 1,455	$1,622	$1,622	
PERMANENT POSITIONS - HEADQUARTERS	6	6 a/	6	6	
- REGIONS	0	0	0	0	
TOTAL WORKYEARS	8	8	8	7	

Changes from Original FY 1981 Estimates
None

a/ The budget justification did not reflect this level of activity. The funds and staff have been distributed to the activities of the new budget structure.

C. Firefighter Health and Safety

1. Authority. Federal Fire Prevention and Control Act of 1974, as amended.

2. Objective/Program Description. Firefighting has been identified as one of the nation's most hazardous professions. Each year approximately 175 firefighters die in the line of duty in the U.S. Approximately 100,000 firefighters are injured, many seriously. Heart attacks, lung injuries from smoke inhalation; burns to necks, wrists, legs; strains and sprains of backs, ankles and wrists; and wounds all over are commonplace in virtually every department. Little uniformity has been found in data collected on firefighting occupational health hazards (e.g. toxic environment of structural fires and physiological implications of exposure to temperature extremes); however, an average of 165 full-time firefighters retire each year because of occupatiional illnesses such as heart disease, emphysema and respiratory edema.

The firefighter's primary defense against death and injury is the personal protective outfit, which consists of turnout clothing and ancillary equipment, such as breathing apparatus, lights, and radios. The main problem for firefighters is that the present style of turnout gear has been in use for years, has proven to be inadequate in many aspects, is cumbersome, heavy, hot, and does not provide adequate safety. Much of the current gear burns or melts too easily. Materials for tools (e.g. axes, crowbars, ladders, hoses, and hose couplings) used in firefighting have not changed for generations and are unnecessarily heavy and bulky; they are overdesigned for the job. Approximately 203,000 career firefighters and 500,000 volunteers conduct rescue and suppression activities and risk their lives and health due to poor protective clothing, breathing apparatus, communications systems, and personal warning devices.

Just over half of firefighter deaths on the job are the result of heart attacks. Job effectiveness is also affected significantly by brute strength and endurance. Firefighting requires above-average physical fitness. Most firefighter candidates are screened to ensure that those entering the profession are not likely to be susceptible to physical or mental stress. The medical examination and screening requirements vary widely throughout the country. The ongoing physical fitness programs established in some departments are often seen as general sports activities, which do little to prepare them for the actual rigors of the job. Departments bringing women into their suppression forces are seeking advice in what physical training programs are cost-effective and work to assist in this goal. As a means to achieve these objectives USFA will: Stimulate private industry to develop improved firefighter personal protective clothing and equipment sooner; recommend performance standards and manufacturing specifications; study firefighter occupational health and safety hazards to find effective ways of reducing firefighter deaths, injuries and disabilities; teach and promote fire department implementation of equipment use and safety practices.

3. Changes from Original FY 1981 Estimates. None

4. FY 1982 Activity. Produce and distribute a practical manual on the selection, use, care and maintenance of protective clothing and equipment for immediate use in fire departments. Disseminate and promote in the fire equipment industry, manufacturing specifications and performance standards for improved protective clothing and equipment. Promote the use of model physical fitness programs in fire departments and fire service training units. Modify selected tools and equipment used in other occupations and industries (e.g. polyurethane ladders now used on ships) for fire departments. Develop specific lung, heart and other body-functions tests for early warning indicators of chronic disease among firefighters. Continue development of means of measuring the hazards of toxic fire gases. Conduct studies on treatment of fire injuries. Conduct courses at the National Fire Academy and in the field on Operational Risk Analysis, Utilization of Breathing Apparatus, and Management of Physical Fitness Programs.

Fire Prevention and Control
(In thousands of dollars)

D. Cost Effective Fire Protection Management

	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
Fire Prevention and Control					
Education	$ 1,849	$ 1,968 a/			
National Fire Data Center	4,145	4,412			
Research and Development	2,259	2,405			
Facilities, Fire Academy	2,611	2,779			
General Administration			$ 147	$ 147	
Office of Planning and Education			378	378	
National Fire Data Center			2,511	2,511	
Fire Research Center			2,409	2,409	
National Fire Academy			2,271	2,271	
Program Staff			3,186	3,115	$ - 71
General Administration			512	676	+164
Office of Planning & Education			655	623	-32
National Fire Data Center			1,545	1,466	-79
National Fire Academy			474	350	-124
BUDGET AUTHORITY	$ 10,864	$ 11,564 a/	$10,902	$10,831	$ - 71
BUDGET OUTLAYS	$ 10,341	$ 10,031	$10,573	$10,494	
PERMANENT POSITIONS - HEADQUARTERS	41	70 a/	67	57	
- REGIONS	0	0	0	0	
TOTAL WORKYEARS	77	75	60	51	

a/ The budget justification did not reflect this level of activity. The funds and staff have been distributed to the activities of the new budget structure.

Changes from Original FY 1981 Estimate

$-88,000	President Carter's March reduction
$+165,000	October 1980 pay raise
-654,000	Transfer to management and administration
- 85,000	President Reagan's March 1981 reduction
$-662,000	Net decrease

D. Cost Effective Fire Protection Management.

1. Authority. Federal Fire Prevention and Control Act of 1974, as amended.

2. Objective/Program Description. In the next hour, one American will likely die and 11 others will be injured as a result of violent fires in communities across our nation. In all, over 8,000 citizens are killed by fire each year. This personal life loss, though it is rarely highlighted in the national press, is 20 times greater than the average number of deaths annually caused by tornadoes, floods and hurricanes combined. Moreover, another 100,000 Americans are injured in outbreaks of fire, while more than $20 billion in property is destroyed yearly as a result.

The failure of states and communities to employ a logical structured approach to the development and implementation of a fire and emergency management system has hindered efforts in fire-loss reduction. The nature and severity of the fire problem and of state and local attempts to reduce that problem vary greatly.

o Almost every state has a different fire focus, varying infrastructures, authority and resources.

o There are 20,000-30,000 independent fire departments in the U.S., delivering services ranging from only fire suppression to a broad range of prevention, control and emergency management programs.

o The fire and rescue service in not utilizing management and planning methods common to other municipal agencies. Such facts indicate a need to provide states and communities with access to a variety of programs and approaches to fire prevention and emergency first response management and assistance in the selection and implementation of programs best suited to local fire problems, needs and resources. Because there is no central focus and, therefore, very little coordination, an estimated $500 million is spent annually in the federal government for fire-related activities. Much of this results in wasteful duplication of effort and significantly lowers the overall cost-effectiveness and application. While many programs and strategies for fire prevention, suppression, emergency management and program administration exist, communities have difficulty in selecting the best mix of programs for their needs and resources.

o The major objectives of the USFA Cost Effective Fire Protection Management activity are to: increase the public awareness of the dangers and economic consequences of fire; enhance the capability of state, county and local fire service organizations in fire prevention and control planning and management; coordinate with national, state and local governments, private organizations, industry, business and other interested persons information related to the prevention, occurrence, control and results of fires of all types; assure that accurate, timely information on the national fire and major incident problem is available in enough detail for informing the public, and comparing it with other national problems, priorities, and losses; increase environmental fire safety by improving fire and building codes and inspection programs by working with manufacturers, the construction industry, consumer groups and others.

o As a means to achieve these objectives, USFA will: promote the establishment of state-level public fire education resources exchange systems; provide technical assistance in public fire education and fire protection planning to State and local governments and other organizations; operate the National Fire Incident Reporting System (NFIRS), analyze fire data to identiy fire protection problems, find solutions, and assess progress over time; develop analysis techniques for state and local governments to use with their own data, and provide feedback reports for communities participating in NFIRS; maintain a network of trained, fire investigators on standby to conduct uniform investigations of major fires that occur and fires representing the leading cause categories; identify and promote effective and efficient fire department management practices and fire-fighting techniques; provide information on fire hazards to federal agencies, codemaking organizations, and private industry; and provide overall management of USFA including interagency coordination, and intergovernmental affairs.

3. Changes from Original FY 1981 Estimates. Changes to the original 1981 submission to the Congress are as follows: President's March 1980 reduction - $88,000; increase allowed for October 1980 pay raise +$165,000; transfer of management and housekeeping costs to other FEMA accounts - $654,000 and $-85,000 President Reagan's March 1981 reduction.

4. FY 1982 Activity. Develop technical assistance materials for handoff to communities for development of Master Planning Teams. Develop an effective ongoing relationship between fire departments and local media. Provide master planning technical support services to states and local communities. Develop mechanism to deliver public education assistance to 30 new cities. Field-test Public Education Assistance Program (PEAP) intermediate planning, implementation and evaluation workshop. Provide fire departments with on-site assistance in the development, use and evaluation of mass media tools for fire education.

Publish 30,000 copies of "New Fire News" based on 80-81 data. Produce demographic maps and specifications for implementing on-line graphic system. Maintain growing National Fire Data Base. The National Fire Incident Reporting System (NFIRS) will be maintained in the field in over 40 states and 3 new states will be added. Develop data collection more detailed than NFIRS to assist industry in the design and manufacture of safer products. Design, develop, implement, release and maintain NFIRS computer software. Develop alternative method of processing NFIRS data to reduce costs. Provide technical assistance to states and cities. Prepare installation tape for requesting cities. Test NFIRS for mini-computers to promote local data processing and analysis. Continue study to evaluate suppression effectiveness of different crew sizes in terms of dollar loss and firefighter health and safety. Conduct 30 in-depth investigations of major fires and publish results. Maintain technical information service. Produce manual on fire inspection procedures for public buildings, including high-rises, halfway homes, and other high-risk occupancies.

Continue development of method for obtaining total heat produced in room fires. Conduct tests in support of modeling activities and provide real fire conditions for detection, suppression and toxicology studies.

Deliver at the National Fire Academy and in the field courses as follows: Fire Officer II, Executive Development, Management of Emergency Medical Service Programs, Volunteer Fire Department Management and Financial Management, Administrative Communications, Educational Methodology I, II, III, Basic Firefighting, and National Fire Incident Reporting. Development of the following courses: Fire Officer I, Community Relations, Performance Evaluation, Management of Training Programs, and Fire Service Budget and Planning. Manage overall USFA programs.

E. Academy Operations and Maintenance

	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
Fire Prevention and Control Facilities, Fire Academy	$ 5,988	$ 3,261 a/			
National Fire Academy			$2,347	$2,333	$ - 14
Program Staff			872	872	
BUDGET AUTHORITY	$ 5,988	$ 3,261 a/	$3,219	$3,205	$ - 14
BUDGET OUTLAYS	$ 5,892	$ 2,837	$3,122	$3,109	
PERMANENT POSITIONS - HEADQUARTERS	38	48 a/	37	37	
- REGIONS	0	0	0	0	
TOTAL WORKYEARS	65	53	62	50	

Changes from Original FY 1981 Estimates

$-56,000 President Carter's March 1980 reduction
+14,000 Carry over for Academy renovation
$-42,000 Net decrease

a/ The budget justification did not reflect this level of activity. The funds and staff have been distributed to the activities of the new budget structure.

E. Academy Operations and Maintenance

1. Authority. Federal Fire Prevention and Control Act of 1974, as amended.

2. Objective/Program Description.

a. Objectives

(1) Identify and provide the knowledge and skills required to raise the professional level in the fire service and allied professions.

(2) Establish the Academy as the hub of a national fire service training and education network, enhancing and supplementing the basic responsibility of state and local training and education programs.

(3) Provide a forum for national fire service leaders so that a highly visible focal point for fire leadership will develop at the federal level.

b. Functions

(1) Develop and deliver an integrated resident curriculum, based on national needs assessments, which will provide the knowledge and skills required of those responsible for fire prevention, protection and control programs and activities.

(2) Provide support to state and local agencies and postsecondary educational institutions by providing instructional materials, instructional programming and support, alternate instructional delivery systems, and technical and financial assistance.

(3) Organize and support special conferences, seminars and meetings on the campus, so as to provide leaders of the national fire service an opportunity for a continuing dialogue on emerging critical issues in the areas of fire prevention, protection and control, and emergency first response.

(4) On a daily and continuing basis provide to those in the national fire service assistance in matters relating to fire prevention and fire and emergency control.

(5) Maintain and operate a facility that provides accommodations and atmosphere conducive to learning.

3. Changes from Original FY 1981 Estimates. A net decrease of $42,000 results from a reduction of $56,000 for President Carter's March 1980 reduction and a plus $14,000 for carry over for academy renovation.

4. FY 1982 Activity. Provide overall management of the National Fire Academy. Provide services to maintain National Fire Academy site at Emmitsburg, Maryland; services, include facility management, administrative and student support, student housing, and support related to educational activities. Operate the facility in such a way to provide a controlled learning environment for 6,000 students.

Fire Prevention and Control
(In thousands of dollars)

F. Residential Fire Safety

	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
Fire Prevention and Control					
Education	$ 350	$ 350 a/			
National Fire Data Center	715	715			
Research and Development	950	950			
Facilities, Fire Academy	1,107	1,107			
Office of Planning and Education			$ 278	$ 278	
National Fire Data Center			479	479	
Fire Research Center			950	950	
National Fire Academy			945	945	
Program Staff			470	470	
Office of Planning & Education			72	72	
National Fire Data Center			236	236	
National Fire Academy			162	162	
BUDGET AUTHORITY	$3,122	$3,122 a/	$3,122	$3,122	
BUDGET OUTLAYS	$3,122	$2,716	$3,028	$3,028	
PERMANENT POSITIONS - HEADQUARTERS	12	12 a/	12	12	
- REGIONS	0	0	0	0	
TOTAL WORKYEARS	14	14	14	14	

a/ The budget justification did not reflect this level of activity. The funds and staff have been distributed to the activities of the new budget structure.

F. Residential Fire Safety

1. Authority. Federal Fire Prevention and Control Act of 1974, as amended.

2. Objective/Program Description. There are an estimated 705,000 residential fires reported to the fire service in the United States each year, resulting in a loss of over 6,700 lives, 22,000 injuries, and over $2 billion in property. Fire is the second highest cause of accidental deaths (next to falls) in residences.

Indirect factors in residential fire losses are harder to assess; however, estimates have been made as follows: emotional suffering (120,000 victims/year), loss of irreplaceable possessions ($100,000+/year), indirect financial losses ($200 million/year: 45% for temporary shelter, 24% for medical, 12% for work missed). 50% of fires causing injuries severe enough to result in lost work time are not reported to the fire service. The National Fire Data Center has found the following:

Annual residential fire losses

67% of all fire death
60% of all civilian fire injuries
42% of all property loss
29% of firefighter deaths
49% of firefighter injuries

$300 million indirect loss
115,000 victims experiencing emotional problems
25% of who require special treatment

Causes of residental fires

	Fires	Deaths	Injuries	$ Loss
Heating	19%	13%	13%	18%
Cooking	16%	6%	15%	6%
Incendiary/Suspicious	11%	7%	8%	15%
Smoking	10%	22%	18%	8%
Electrical Distribution	8%	5%	6%	10%
Applicances & Tools	7%	3%	4%	5%
Children playing	6%	6%	8%	5%
Unknown causes	10%	31%	15%	19%

People living in the Southern and Southeastern U.S., Alaska and D.C. have nearly two times the possibility of dying in a fire than others (an average of 56 deaths per million population in each of these states, compared with 33 deaths per million in all other states). Death rates are highest in rural and in large metropolitan areas. Non-whites have the highest death rates, which is 2½ times those of white deaths (63.9 to 26.8 deaths per million). The results of an NBS sponsored survey indicate that children and the elderly (or handicapped) account for 50% of all fire deaths in Maryland. Residents of nursing homes and health-care facilities are very vulnerable to fire since their escape potential is limited.

The objectives of the program is to increase public awareness of the consequences of residential fires and how to avoid them, promote wider use of technologies such as detectors and sprinklers in homes and the improved safety of consumer products and building technology.

As a means to achieve these objectives USFA develops, validates, and distributes public fire information packages for the general public, special groups, state and local governments and fire departments, conducts a public fire education conference, identifies, evaluates and catalogs public fire education programs and materials, develops and promotes residential fire protection devices and systems that show cost effective potential for fire loss reduction, including smoke detectors, remote alarms, and springler systems, and provides technical support to develop standards and model legislation for smoke detectors and low cost sprinkler systems.

3. Changes for Original FY 1981 Estimates. None

4. FY 1982 Activity. Technical assistance to communities to implement home safety programs. Develop fire cause media kits. Develop children's fire safety program for national implementation (Sesame Street).

Evaluate smoke detector reliability and effectiveness in actual home fires, analyze defective detectors; revise manufacturing standards; identify and promote insurance incentives for smoke detector installation. Start evaluation of alternate fire sensing technologies to increase the speed of sprinkler actuation with no loss in reliability. Continue sucessful development of sprinkler systems in new homes. Evaluate residential sprinklers in housing developments. Review insurance incentives and legal aspects for residential sprinkler system installation. Evaluate automatic residential remote alarm systems (ARRAS) in three communities and publish directory so the communities can share technical information. Design and develop a sidewall sprinkler system for the home.

Deliver courses in Basic and Advanced Fire Prevention Inspection, Fire Safe Building Design I and II, and Public Fire Safety Education Specialist. Develop courses in Fire Safety Analysis, Fire Detection Systems, and Fire Suppression Systems.

Continue fundamental work on sprinkler droplet size, velocity and location needed to provide optimum extinquishing performance. Continue work on methods of flame spread measurement on interior finishes and risk assessment of upholstered furniture exposed to open flame, complete work on use of heat release calorimetry for hazard assessment. Complete development of methodology for evaluating alternative strategies for reducing fire losses based on cost benefit considerations with application to furnishings flammability control.

Hazard Mitigation and Disaster Assistance
Fire Prevention and Control
Object Classes
(In thousand of dollars)

Direct Obligations

Code	Object Class	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982
	Personnel compensation:				
11.1	Permanent positions.....	$ 4,073	$ 3,563	$ 3,786	$ 3,303
11.3	Positions other than permanent	648	674	586	397
11.5	Other personnel compensation	30	14	30	90
	Total personnel compensation	$ 4,751	4,251	4,402	3,790
	Personnel benefits:				
12.1	Civilian.....	$ 453	416	423	355
21.0	Travel and transportation of persons.....	460	375	337	337
21.1	Interagency Motor pool.....	-	-	-	-
22.0	Transportation of things...	12	60	15	19
23.1	Standard level user charge	307	206	206	-
23.2	Comm., utilities & other rent	4,778	897	1,931	565
24.0	Printing and reproduction..	500	110	400	600
25.0	Other services.....	8,655	12,463	10,383	11,015
26.0	Supplies and materials.....	63	92	74	-
31.0	Equipment.....	215	71	66	-
32.0	Lands and structures.....	-	-	-	-
41.0	Grants, subsidies, and Contributions.....	3,722	2,948	2,948	4,419
42.0	Insurance claims and idemnities.....	-	-	-	-
43.0	Interest and dividends.....	-	-	-	-
99.0	Total direct obligations...	$23,916	$21,889	$21,185	$21,100

Disaster Relief Administration

This program includes the activities of the Office of Disaster Response and Recovery in managing the disaster relief program authorities assigned to FEMA under the Disaster Relief Act of 1974 (P.L. 93-288).

DISASTER RELIEF ADMINISTRATION
(In thousands of dollars)

SUMMARY OF BUDGET ESTIMATES

I. Summary of Budget Request

PROGRAM HIGHLIGHTS PROGRAM LEVEL	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
A. Disaster Relief Administration	215	$ 7,826	$ 8,686	$ 6,302	$ 5,294	$ - 1,008
BUDGET AUTHORITY		$ 7,826	$ 8,686	$ 6,302	$ 5,294	$ - 1,008
BUDGET OUTLAYS		$ 7,826	$ 8,001	$ 6,111	$ 5,128	
PERMANENT POSITIONS - HEADQUARTERS		60	74	64	64	
- REGIONS		87	100	104	104	
TOTAL WORKYEARS		149	205	164	165	

II. Changes from Original FY 1981 Estimates

This program activity reduces by a net $2,384,000 from $8,686,000 to $6,302,000 due to:

o $ - 57,000	President Carter's March reduction
o + 205,000	October 1980 pay raise
o - 2,453,000	Transferred to other elements
o - 79,000	President Reagan's March 1981 reduction
$ - 2,384,000	Net decrease

A. Disaster Relief Administration

1. Authority. The Disaster Relief Act of 1974, as amended and the Disaster Relief Act of 1970, as amended.

2. Objective/Program Description. Personnel who coordinate the Disaster Relief Program are responsible for administering a comprehensive national program of Federal disaster assistance, including both preparedness and response activities. When a disaster strikes, Federal Emergency Management Agency (FEMA) personnel evaluate the damage and requirements for Federal assistance; develop recommendations to the Director and the President for major disaster or emergency declarations; administer the President's Disaster Relief Fund for providing assistance under Public Law 93-288; and coordinate assistance by other Federal agencies and voluntary organizations. In addition, FEMA administers preparedness and operational readiness programs and responds to non-declared emergency situations under Executive Order 12148.

3. Changes from Original FY 1981 Estimates.

o	$ - 57,000	President's reduction
o	+ 205,000	October 1980 pay raise
o	- 2,453,000	Transfer to management and administration for administration and housekeeping activities
	- 79,000	President Reagan's March 1981 reduction
	$ - 2,384,000	Net decrease

4. FY 1982 Activity. The types of assistance provided to disaster victims include:

- assistance to individuals, such as temporary housing, mortgage and rental payments; unemployment assistance; loans to individuals, businesses, and farmers; distribution of food stamps; grants to individuals; legal services; and counseling.

- assistance to States and local governments, such as financial grants or direct Federal assistance for debris clearance, protective and health measures; repair or replacement of roads, bridges, sewer and water systems, public buildings and equipment and public utilities, funding for repair or replacement of certain private, non-profit facilities serving the public interest.

- other forms of assistance, such as grants to assist states in developing and improving plans, programs and capabilities for disaster preparedness and response; and other programs and activities designed to prepare for, or minimize the effects of, natural disasters.

Program offices and their responsibilities are as follows:

a. Associate Director: Provides overall direction, coordination and management of Federal disaster response and recovery activities.

b. Public Assistance Office: Develops policy and guidelines on all individual assistance programs. Provides staff assistance in program implementation and monitors program progress. Directs the mobile home program.

d. Federal Response Coordination Office: Responsible for program coordination activities as they relate to disaster response, as well as special projects.

e. Program Support Office: Responsible for disaster response and recovery resources allocation, internal management and administration, the declaration process and reports.

f. Regional Offices:

(1) Provide direction and overall coordination for the Federal disaster assistance program activities delegated to the Regional Director by the Director.

(2) Direct and administer Federal disaster assistance activities in the several States constituting the respective Region. Provide overall direction, coordination, and management of Federal disaster preparedness and assistance activities at the Regional level.

There is a continuing workload in operational readiness activities and general program management, including program and administrative support. On September 30, 1980, FEMA was administering 186 open disaster agreements. The workload in Fiscal Year 1982 is expected to continue at approximately the same level. The magnitude of the workload, and the extent to which temporary augumentation staff are used, will vary with the level of disaster activity.

Beginning in FY 1981, a comprehensive approach is being undertaken to assess the data and related computer needs for administration of the President's Disaster Relief Program. A management and technical review is underway which will provide for unified information systems management. Funds for this developmental process have been budgeted in this appropriation for FY 1981 and FY 1982. Below are listed two major elements of this comprehensive initiateive.

(a) Public Assistance Automated System. This system became operational on October 1, 1980. The primary aim of the system is to track Damage Survey Reports and Project Applications. A great deal of administrative, manual tracking was thereby eliminated. Since the processes deal mainly with State and local government, the system provides for more efficient and effective delivery of assistance.

(b) Individual Assistance Computerization Project. Systems developmental work is underway to enable computerization of information regarding individual assistance to disaster victims. The project will result in a uniform system which will satisfy the informational needs of the various levels of management of each of the FEMA individual assistance programs as well as the requirements of FEMA as a coordinating agency of disaster assistance to individuals.

The Individual Assistance Computerization Project is an interagency effort which will provide each participating agency with the capability to track each applicant from the time the applicant requests assistance until assistance is provided or otherwise terminated.

Hazard Mitigation and Disaster Assistance
Disaster Relief Administration
Object Classes
(In thousands of dollars)

Direct Obligations

Code	Object Class	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982
	Personnel compensation:				
11.1	Permanent positions.....	$5,695	$4,974	$4,719	$3,503
11.3	Positions other than permanent.....	29	1,083	51	48
11.5	Other personnel compensation	39	18	28	11
	Total personnel compensation	$5,763	$6,075	$4,798	$3,562
	Personnel benefits:				
12.1	Civilian.....	$ 553	$ 593	$ 470	$ 341
21.0	Travel and transportation of persons.....	320	320	288	288
21.1	Interagency motor pool.....	-	-	-	-
22.0	Transportation of things....	16	69	14	2
23.1	Standard level user charge..	416	255	255	-
23.2	Comm., utilities & other rent	82	155	5	-
24.0	Printing and reproduction...	75	75	20	175
25.0	Other services.....	510	944	314	926
26.0	Supplies and materials.....	86	113	72	-
31.0	Equipment.....	5	87	66	-
32.0	Lands and structures.....	-	-	-	-
41.0	Grants, subsidies, and contributions.....	-	-	-	-
42.0	Insurance claims and indemnities.....	-	-	-	-
43.0	Interest and dividends				
99.0	Total direct obligations....	$7,826	$8,686	$6,302	$5,294

Management and Administration

This program encompasses the salaries and expenses required to provide executive direction and administrative and staff support to FEMA's programs in both the headquarters and field offices.

MANAGEMENT & ADMINISTRATION
(In thousands of dollars)

SUMMARY OF BUDGET ESTIMATES

I. Summary of Budget Request

PROGRAM HIGHLIGHTS PROGRAM LEVEL	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
Executive Direction		$11,556	$10,956			
A. Management and Administration	221					
Office of Director				0	646	$ + 646
Public Affairs				0	1,259	+ 1,259
Regional Coordination				171	174	+ 3
Equal Opportunity				165	145	- 20
International Affairs				0	250	+ 250
Congressional Relations				314	307	- 7
Inspector General				1,781	1,772	- 9
General Counsel				865	853	- 12
Personnel				2,001	1,987	- 14
Finance and Administration				8,953	12,583	+ 3,630
Program Analysis and Evaluation				0	621	+ 621
Regional Management and Administration				500	6,963	+ 6,463
BUDGET AUTHORITY		$11,556	$10,956	$14,750	$27,560	$ + 12,810
BUDGET OUTLAYS		$11,556	$ 9,960	$14,025	$28,895	$
PERMANENT POSITIONS - HEADQUARTERS		258	312	283	337	
- REGIONS		10	10	10	164	
TOTAL WORKYEARS		315	278	320	534	

II. Changes from Original FY 1981 Estimates

This budget activity reflects an increase of $3,794,000 due to:

o	$- 72,000	President Carter's March 1980 reduction
o	- 800,000	Congressional reduction
o	+ 800,000	October 1980 pay raise
o	+ 4,094,000	Consolidation from other activities of administrative expenses. ($987,000 Federal Insurance, $654,000 Fire Prevention and Control, $2,453,000 Disaster Relief Administration.)
o	$- 228,000	President Reagan's March 1981 reduction
	$+ 3,794,000	

A. Management and Administration

1. Authority

Section 103 of the National Security Act (50 U.S.C. 404 [et seq.]), the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98 et seq.), the Federal Civil Defense Act of 1950, as amended (50 U.S.C. App. 2251 et seq.), the Earthquake Hazards Reduction Act of 1977 (42 U.S.C. 7701 et seq., the National Science and Technology Policy Organization and Priorities Act of 1976 (42 U.S.C. 6601, 6671) the Defense Production Act of 1950, as amended (50 U.S.C. App. 2061 et seq.), section 15(e) of the Federal Flood Insurance Act of 1956, as amended (42 U.S.C. 2414(e), the National Flood Insurance Act of 1968, as amended, and the Flood Disaster Protection Act of 1973 (42 U.S.C. [400] 4001 et seq.), the Urban Property Protection and Reinsurance Act of 1968, as amended, the National Insurance Development Act of 1975 (12 U.S.C. 1749 bbb et seq.), the Disaster Relief Act of 1974, as amended (15 U.S.C. 278f, [278q.] and 2201 et seq.), Reorganization Plan No. 3 of 1978, and the Disaster Relief Act of 1970, as amended (42 U.S.C. 4401).

2. Objective/Program Description

This program activity provides funding for the following offices: Office of the Director, Office of Public Affairs, Office of Regional Coordination, Office of Equal Opportunity, Office of International Affairs, Office of Congressional Relations, Office of Inspector General, Office of General Counsel, Office of Personnel, Office of Finance and Administration, and Office of Program Analysis and Evaluation. This activity also provides for the administration of the 10 regional offices.

The Office of the Director. Exercises policy and managerial leadership in accomplishing the Agency's mission to plan for, respond to, and recover from a broad spectrum of emergencies from an imminent nuclear attack to natural and man-made incidents.

The Office of Public Affairs. Produces and disseminates materials in support of FEMA programs, develops and publishes consumer materials, designs and produces films, slide presentations, video-tapes, public service announcements and other materials for use by the visual media.

The Office of Public Affairs also coordinates all news-type information disseminated by the Agency, provides FEMA with a single contact point for the media, maintains and enhances relations with state and local governments and their national associations, public interest groups, constituency groups, and consumers, provides all types of graphic materials in support of all FEMA programs, and assists in transmitting useful and timely information to other federal, state and local agencies and the general public.

The Office of Regional Coordination. Coordinates, monitors and keeps the Director advised of program implementation by Regional Offices, provides communication and liaison links between the Director and Regional Offices, as well as between Headquarters program elements and Regional Offices, and represents Regional perspectives.

The Office of Equal Opportunity develops Agency headquarters affirmative action plans, and evaluates the adequacy of the Agency's equal opportunity program.

The Office of International Affairs provides overall planning, development, directions, and implementation of programs in support of FEMA responsibilities and objectives in all international comprehensive emergency management matters designed to improve communication and coordination of information between FEMA and key officials in other Federal Departments, Agencies, NATO member countries, NATO committees, the North Atlantic Assembly and other international organizations, and U.S./Canada and U.S./Mexico civil emergency planning bodies; assists in exchange of comprehensive emergency management information between the U.S. and other foreign nations to enhance U.S. foreign policy objectives.

The Office of Congressional Relations coordinates, monitors and keeps the Director and other Agency officials advised of matters relating to the Congress, and keeps Congress advised of FEMA programs and priorities.

The Office of Inspector General assures that FEMA programs and operations are administered economically, efficiently and in compliance with existing laws and regulations, prevents and detects fraud and abuse therein, and assures the integrity of Agency assets, personnel and classified information through audit, investigation and security activities.

The Office of General Counsel provides full statutory and legal support, advice, opinion, and services for all FEMA programs and activities.

The Office of Personnel plans, develops, administers, and evaluates all personnel programs for the Agency.

The Office of Finance and Administration provides for budgeting, accounting, payroll, and financial reporting; acquisition management, including the management of purchase orders, and negotiated contracts, interagency agreements, leases, grants and other such instruments of acquisition for the procurement of goods and services; and management of facility design, layout, repairs and improvements, property and supply management, printing, reproduction and distribution services, transportation services, office and library services, and other general services.

The Office of Program Analysis and Evaluation analyzes and evaluates all FEMA programs and planning proposals nationwide, and identifies and resolves existing or potential program and policy problems so as to enhance the effectiveness, efficiency and economy of the Agency's programs and processes.

Regional Management and Administration provides management, coordination, and administrative support for the Regional offices of FEMA, which respond to emergencies and disasters in their areas of responsibility.

c. Changes from Original FY 1981 Estimates

The change from the original to the current 1981 budget request reflects President Carter's March reduction of $72,000, a Congressional reduction of $800,000, President Reagan's March 1981 reduction of $228,000 an increase of $800,000 for pay raises, and $4,094,000 which was consolidated from other activities to cover administrative and housekeeping expenses which are now centralized.

d. FY 1982 Activity

The FY 1982 activities for each of the offices are as follows:

Office of the Director. This activity will activate and utilize the FEMA Advisory Board, conduct critical program evaluation and redetermination of program priorities based upon Presidential and NSC guidance, complete the Federal Master Mobilization Plan, accelerate implementation of new guidance in PD 57, ascertain necessity for statutory base to advance FEMA institution building and improve operating effectiveness, and stimulate new processes and attitudinal conditions to achieve a higher level of agency integration.

Funds for SES bonuses of $130,000 and $69,000 for the FEMA Advisory Board are included in this account. This office was previously funded in the EPPM appropriation.

Office of Public Affairs. This activity will create and conduct public education campaigns, provide staff support to inter/intra agency efforts between programs and groups such as Radiological Emergency Planning, the Office of Public Affairs/National Oceanic and Atmospheric Administration, the American Red Cross, the National Guard and U.S. Department of Defense, create Agency Annual Report, publish press releases and coordinate FEMA media activities, arrange and conduct FEMA press conferences and briefings, research and write speeches for FEMA's Director, respond to media and general public inquires, initiate media contracts and activities, supply FEMA offices with still photographs, provide A/V assistance for film and radio/TV spots, develop monthly radio packages, supply articles and background information for magazines and newspapers on request; maintain daily news clipping service for Agency.

This office also will provide liaison with constituency groups including labor organizations, public, private and professional groups with emergency management responsibilities, participate in public interest groups workshops on emergency management related issues, operate consumer complaint handling and reporting system, produce materials to support Handicapped Program, develop graphics standards for FEMA; design, develop and produce all visual materials for Agency, provide contract liaison services for necessary graphic work, and produce all newsletters, brochures, leaflets, charts, exhibits, flyers, slides, and vu-graphs, and manage all Freedom of Information and Privacy Act Activities for the Agency. This office was previously funded in the EPPM appropriation.

Office of Regional Coordination. This activity will coordinate and review regional policy, goals and assignments.

Office of Equal Opportunity. This activity will advise the Director on the scope and coverage of the equal opportunity program and the program areas which lend themselves to potential discriminatory acts, provide guidance and training to counselors, investigators, and equal opportunity program officers throughout FEMA, develop an affirmative action plan for the year, assist the Office of Personnel in the development and implementation of the Federal Minority Recruitment Program.

Office of International Affairs. This activity will provide for planning, developing, directing, and implmenting programs in support of FEMA responsibilities and objectives in all international comprehensive emergency management matters designed to promote and preserve U.S. national interests and security, maintain communications and coordination of information between FEMA and key officials in other Federal Departments and Agencies, NATO member countries and NATO committees, to emphasize and enhance U.S. civil support to military forces in the development of overall defensive strength of the NATO Alliance and that of other non-member nations of the free world, the North Atlantic Assembly and other international organizations; revitalize the U.S. Agreement with Canada concerning planning and coordination of comprehensive civil emergency management activities, implement the January 1980 U.S./Mexico Agreement on cooperation covering natural disasters, and assist in exchange of comprehensive emergency management information between the U.S. and other foreign nations to enhance U.S. foreign policy objectives. This office was previously funded in the EPPM appropriation.

Office of Congressional Relations. This activity will advise the Director of FEMA and other officials of FEMA on congressional aspects of Agency policies, plans and programs, coordinate Agency actions relating to congressional consideration of the legislative program of the Agency, coordinate the development and furnishing of information in response to requests received in FEMA from Members of Congress and the Committees of the Congress and their staffs, arrange for witnesses from FEMA at congressional hearings on Agency matters, and communicate to congressional offices and committees FEMA's programs and needs.

Office of Inspector General. This activity will audit cost contracts and agreements, monitor such audits conducted by Federal cognizant audit agencies and state audit agencies, review overhead rate and pre-award contract proposals as requested, audit the Civil Defense Emergency Management Assistance Program in 75% of the states, all Emergency Operating Center projects, and 20% of the Equipment Services and Maintenance Projects, audit disaster projects in states, conduct internal audits based on a 10 year cycle, maintain liaison with GAO and follow-up on findings and recommendations, investigate a limited portion of significant allegations of fraud involving FEMA programs and refer results for appropriate action, investigate the serious allegations of improper conduct by FEMA employees and refer results for appropriate action, process security clearances, perform required industrial Security Investigations, process visit requests of FEMA to other agencies/facilities and process visit requests from other agencies/facilities to FEMA.

Office of General Counsel. This activity will review actions proposed and undertaken by Agency officials for soundness of legal approach, review and clear Agency rules and regulations on programs and administrative processes, develop legislative and regulatory initiative to reflect management and policies, provide legal interpretations to Agency management on new legislation and regulations affecting Agency programs and activities, and participate with the Department of Justice in the initial stages of cases in the Federal Courts and in state and local courts challenging decisions reached by Agency management or those acting on behalf of the Agency in conducting its programs.

This activity will also review and determine Agency policies and practices in compliance with Federal laws, present and defend Agency decisions before administrative review authorities, support Agency officials at Congressional appearances, coordinate Agency responses to requests by Congress for FEMA views on pending legislation, prepare, coordinate and manage the development of Agency regulations implementing Federal statutes, Executive Orders and other directives.

Office of Personnel. This activity will manage the overall personnel program for the Agency including policy development and implementation, process individual classification actions, review and clear Agency rules and regulations on programs and administrative processes, issue instructions under the Internal Directives system, initiate classification reviews at headquarters and in the field, evaluate the Minority Recruitment Program.

Office of Finance and Administration. This activity will provide budgeting support for the Agency, payroll services, procurement services, financial support for timely payment of bills and delivery of finance reports, design and deployment of administrative information systems, establishment of regulatory programs within FEMA, mail and printing, purchase of supplies and equipment,

space utilization and other housekeeping functions for the Agency. The increase from FY 1981 to FY 1982 is due to a consolidation of all Agency administration support services into Finance and Administration from the EPPM appropriation, including Standard Level User Charges, rental of equipment, maintenance of equipment and other services.

Office of Program Analysis and Evaluation. This activity provides program analysis and evaluation on major policy issues, proposals and programs, develops and implements a limited number of studies and analyses requiring special expertise, and performs basic studies leading to innovative and anticipatory recommendations. The office will coordinate scheduling and analytical effort in support of program and resource allocation decisions by top management and continue to perfect management improvement projects and processes. This office was previously funded in the EPPM appropriation.

Regional Management and Administration. This activity provides management, coordination, and administration support for the regional offices of FEMA. These costs were included previously in the EPPM appropriation. This activity previously supported the personnel costs only for the ten directors of the regions. In 1982, all management and administration costs for the regions have been included in this activity.

The personnel distribution in FY 1982 for Management and Administration is as follows:

	Permanent Positions	Work Years
Office of Director	8	11
Public Affairs	22	25
Regional Coordination	5	5
Equal Opportunity	3	3
International Affairs	5	6
Congressional Relations	8	8
Inspector General	40	42
General Counsel	22	24
Personnel	48	58
Finance and Administration	163	172
Program Analysis and Evaluation	13	16
Regional Management and Administration	164	164
Total	501	534

Hazard Mitigation and Disaster Assistance
Management and Administration
Object Classes
(In thousands of dollars)

Direct Obligations

Code	Object Class	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982
	Personnel compensation:				
11.1	Permanent Positions	$ 8,156	$ 7,024	$ 7,533	$12,314
11.3	Positions other than Permanent	416	76	561	952
11.5	Other Personnel Compensation	50	33	58	215
	Total Personnel Compensation	$ 8,622	$ 7,133	$ 8,152	$13,481
	Personnel Benefits:				
12.1	Civilian	$ 824	$ 695	$ 785	$ 1,268
21.0	Travel and transportation of Persons	420	597	538	639
21.1	Interagency Motor Pool	-	-	-	-
22.0	Transporatation of Things	28	88	29	46
23.1	Standard Level User Charges	745	339	337	4,199
23.2	Comm., Utilities & Other Rent	318	132	1,955	4,800
24.0	Printing and Reproduction	140	27	466	438
25.0	Other Services	133	1,678	2,202	1,597
26.0	Supplies and Materials	149	151	146	649
31.0	Equipment	177	116	140	443
32.0	Lands and Structures	-	-	-	-
41.0	Grants, Subsidies, and Contributions	-	-	-	-
42.0	Insurance CLaims and Indemnities	-	-	-	-
43.0	Interest and Dividends	-	-	-	-
99.0	Total Direct Obligations	$11,556	$10,956	$14,750	$27,560

Hazard Mitigation and Disaster Assistance
REIMBURSABLE PROGRAM
(In thousands of dollars)

I. Summary of Reimbursements

	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
A. Reimbursable Programs						
1. Federal Insurance	228	$ 243	$ 246	$ 260	$ 260	$ 0
2. Fire Prevention and Control	228	523	0	0	0	0
BUDGET AUTHORITY		$ 0	$ 0	$ 0	$ 0	$ 0
BUDGET OUTLAYS		$ 766	$ 246	$ 260	$ 260	
PERMANENT POSITIONS - HEADQUARTERS		8	8	8	8	
- REGIONS		0	0	0	0	
TOTAL WORKYEARS		8	8	8	8	

II. Changes from Original FY 1981 Estimates

This program activity increases by a net $14,000 from $246,000 to $260,000 due to:

- $ + 14,000 October 1980 pay raise.

A. Reimbursable Program

1. Federal Insurance

a. Authority. The authorization for this program is the Urban Property Protection and Reinsurance Act of 1968 (Title XI of the Housing and Urban Development Act of 1968).

b. Objective/Program Description. This reimbursable program provides required administrative support on a reimbursable basis for insurance programs where essential insurance needs are unavailable in the private sector.

The staff shown in this section is fully explained under Administration of Federal Insurance.

	ACTUAL 1980	BUDGET ESTIMATE 1981	CURRENT ESTIMATE 1981	ESTIMATE 1982
Permanent full-time positions	8	8	8	8
Workyears	8	8	8	8

c. Changes from Original FY 1981 Estimates. The increase in 1981 is the result of a payraise which became effective in October 1980.

d. FY 1982 Activity. In FY 1982, this staff will continue to provide support on a reimbursable basis.

2. Fire Prevention and Control

No reimbursable program is being requested for this activity in FY 1981 and FY 1982.

Hazard Mitigation and Disaster Assistance
Reimbursable Program
Object Classes
(In thousands of dollars)

Direct Obligations

Code	Object Class	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982
	Personnel compensation:				
11.1	Permanent Positions	$ 280	$ 183	$ 197	$ 197
11.3	Positions other than permanent	-	-	-	-
11.5	Other personnel compensation	-	-	-	-
	Total personnel compensation	$ 280	$ 183	$ 197	$ 197
	Personnel benefits:				
12.1	Civilian	$ 28	$ 19	$ 19	$ 19
21.0	Travel and transportation of persons	86	15	15	15
21.1	Interagency Motor Pool	-	-	-	-
22.0	Transportation of things	5	-	-	-
23.1	Standard Level User Charge	12	12	12	12
23.2	Comm., Utilities & Other Rent	8	8	8	8
24.0	Printing and reproduction	10	2	2	2
25.0	Other Services	149	2	2	2
26.0	Supplies and materials	2	1	1	1
31.0	Equipment	4	4	4	4
32.0	Lands and structures	-	-	-	-
41.0	Grants, subsidies, and contributions	182	-	-	-
42.0	Insurance claims and indemnities	-	-	-	-
43.0	Interest and dividends	-	-	-	-
99.0	Total Direct Obligation	$ 766	$ 246	$ 260	$ 260

FEDERAL EMERGENCY MANAGEMENT AGENCY

APPROPRIATION LANGUAGE

FUNDS APPROPRIATED TO THE PRESIDENT

DISASTER RELIEF

For necessary expenses in carrying out the functions of the Disaster Relief Act of 1970, as amended (42 U.S.C. 4401), and the Disaster Relief Act of 1974, as amended (42 U.S.C. [5202] 5121 et seq.), [$375,570,000] $369,000,000 to remain available until expended. (Department of Housing and Urban Development-Independent Agencies Appropriation Act, 1981; additional authorizing legislation to be proposed.)

78-803 O - 81 - 29

DISASTER RELIEF
(In thousands of dollars)

SUMMARY OF BUDGET ESTIMATES

I. Summary of Budget Request

PROGRAM HIGHLIGHTS PROGRAM LEVEL	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
A. Disaster Relief - Appropriation	232	$1,063,600	$ 375,570	$ 358,449	$ 369,000	$ + 10,551
- Obligations		($ 849,095)	($375,570)	($579,974)	($ 381,667)	($-198,307)
BUDGET AUTHORITY		$1,063,600	$ 375,570	$ 358,449	$ 369,000	$ + 10,551
BUDGET OUTLAYS		$ 573,760	$ 250,226	$ 632,000	$ 573,357	
PERMANENT POSITIONS - HEADQUARTERS		0	0	0	0	
- REGIONS		0	0	0	0	
TOTAL WORKYEARS		0	0	0	0	

II. Changes from Original FY 1981 Estimates

The appropriation request reduces by a net $17,121,000 from $375,570,000 to $358,449,000 due to:

$ - 9,121,000	FY 1981 appropriation percentage reduction
- 8,000,000	President Reagan's March 1981 reduction
$ - 17,121,000	Net decrease

The reduction in estimates from the January budget results from policy and legislative changes affecting public facilities repair and temporary housing programs.

Disaster Relief

Authority
The Disaster Relief Act of 1970, as amended and the Disaster Relief Act of 1974 (PL 93-288).

1. Objective/Program Description

Under the provisions of the Disaster Relief Act of 1974 (PL 93-288), the President is authorized to provide a wide range of Federal assistance to supplement the relief efforts of State and local governments in response to major disasters and other emergencies. The Director of the Federal Emergency Management Agency (FEMA), under Executive Order 12148, has been delegated the responsibility for providing these services. This responsibility has been further delegated to the Associate Director, Disaster Response and Recovery (DR&R), and to FEMA Regional Directors.

The Associate Director, DR&R, is responsible for managing assistance programs authorized under the Act. This includes the administration of disaster response and recovery assistance authorized by PL 93-288 for disaster victims and State and local governments and the coordination of disaster relief activities of other Federal agencies.

2. DECLARATION PROCEDURE

If the response to a disaster is beyond the effective capability of State and local governments, the Governor may request a Presidential declaration of a major disaster or emergency. This request must include a certification by the Governor of a reasonable expenditure of State and local funds for disaster relief and an estimate of the extent and nature of Federal assistance required for each of the affected counties and the State. In the case of a major disaster, it would also verify the execution of the State's emergency plan.

FEMA Regional personnel review the Governor's finding that a major disaster or emergency exists by assessing the extent of damage and the Federal assistance required. This assessment is forwarded to Headquarters, FEMA. Headquarters, FEMA, following review of this information, recommends appropriate action to the President, who makes the final determination as to whether a major disaster or emergency declaration is necessary. The Governor may appeal an adverse decision to the President through FEMA Headquarters and Regional offices.

Kinds of Declarations: PL 93-288 specifies two major kinds of Presidential declarations: a major disaster and an emergency.

A major disaster is any hurricane, tornado, storm, flood, high water, wind-driven water, tidal wave, tsunami, earthquake, volcanic eruption, landslide, mudslide, snowstorm, drought, fire, explosion, or other catastrophe in any part of the United States which, in the determination of the President, causes damage of sufficient severity and magnitude to warrant major disaster assistance by the Federal Government. This kind of situation is definitely beyond the capability of State and local resources, and requires a wide range of Federal supplemental assistance.

An emergency may also be caused by any of the above-mentioned phenomena. However, an emergency is less encompassing and requires Federal emergency assistance to supplement State and local efforts to save lives and protect property, public health and safety or to avert or lessen the threat of a disaster. Federal assistance in an emergency meets a specific need that the Federal Government is uniquely able to provide.

The Disaster Relief Act of 1974 also authorizes the President to provide assistance, including grants, equipment, supplies, and personnel, to a State for the suppression of a forest or grassland fire on public or private lands that threatens to become a major disaster. The authority has been delegated to the Director of FEMA, and, in turn, to the Associate Director, DR&R. The Governor of a State requests such assistance through the FEMA Regional Director and supports the request with information on the nature of the threat and the need for Federal assistance.

3. MAJOR FEMA RESPONSE PROGRAMS

a. Management and Coordination

Disaster Response and Recovery, as the operational arm of FEMA, has been called upon to respond to a wide variety of emergency situations, both those situations involving a Presidential declaration and those which did not require such a designation.

For instance, during the summer of 1980, a heatwave encompassed the southern and western portions of the nation. Particularly hard hit were the elderly and others with limited resources with which to buy cooling appliances or the energy necessary to run them. FEMA DR&R dispatched a coordinating team to the area to talk with State and local governments, and other Federal agencies with potential resources. The approach used was an outgrowth of the tenets of the Disaster Relief Act; that State and local resources and the resources of other Federal agencies (under independent statutory authority) be explored before consideration be given to a request for a Presidential declaration under the Disaster Relief Act. The result was a coordinated Federal, State, and local response without the necessity of a Presidential declaration. As an example, the Community Services Agency, under its own authority, was able to provide funds to several States to finance the purchase of air conditioners and fans for individuals and families.

Once a major disaster or emergency is declared, the Associate Director, DR&R, appoints a Federal Coordinating Officer (FCO) to coordinate the administration of relief activities. All relief efforts for declared major disasters or emergencies, including those authorized by separate statutes and provided by other Federal agencies and relief efforts of volunteer organizations, are coordinated by the FCO. This is done to provide as comprehensive service as is possible and to reduce response time and eliminate duplication.

In order to supply necessary services in a quick and effective manner, the FCO establishes a Disaster Field Office and one or more Disaster Assistance Centers in the disaster area shortly after the declaration. At these centers, victims can meet with Federal, State, local and private organization representatives to receive advice and assistance in applying for disaster services. At the Disaster Field Office, the FCO as the President's representative, monitors the relief and recovery efforts, reporting progress to the news media as well as the highest levels of government. Typically after a response effort has ended, the FCO conducts an afteraction critique, with the aim of improving the efficiency and effectiveness of the delivery of assistance.

As a result of our experiences with management and coordination, FEMA is developing and testing a Combined Application/Verification Process. It combines the application forms for three high use programs -- temporary housing, home/personal property loans, and grants. The process provides for one home verification visit, rather than the separate and numerous visits currently performed by the two agencies involved. This process is a function of the Federal Coordinating Officer, and his/her representatives take the application and perform the single verification. The individual agencies determine eligibility and the appropriate form of assistance for the applicant. Prior to the individual agency's determination, each applicant is assigned a CAVP advisor to act as a liaison between the applicant and the "system." During the delivery-of-assistance phase, each agency is responsible for maintaining this liaison until assistance is provided. Although the cost of performing these functions is borne entirely by FEMA, the total financial outlay by the Federal Government would be less than if these services were provided by each of the agencies involved. Additional benefits include: reduction of confusion caused by separate applications and verifications, a single point of contact for disaster victims, less possibility of duplication of benefits, and greater responsiveness of the Federal Government to disaster victims. The process has been field tested in three small disasters and, with some modification, in one large disaster. Currently, a major effort is underway to review the results of these tests and make necessary revisions in the process before a final field test is conducted in the spring or summer of 1981.

Two principal forms of disaster assistance are provided by FEMA: Public Assistance (aid to the State and local governments) and Individual Assistance (aid for the disaster victims and their families). In addition, as mentioned above, FEMA, through the Federal Coordinating Officer, coordinates the entire Federal response.

b. Public Assistance.

Soon after a disaster declaration, State and local officials are briefed on the types of assistance available and the application procedure. (States, their political subdivisions, and Indian tribes and Alaska Native Villages and certain private, nonprofit organizations are eligible applicants.) A project application is submitted within 90 days of a major disaster declaration, and within 30 days of an emergency declaration. Damage Survey Reports, prepared by Federal engineers, which document damage and recommend the eligible restorative work and eligible costs, are the basis for the application. Grants are made for emergency protective measures, debris clearance, and the repair and restoration of damaged public and certain private, nonprofit facilities. Work is normally accomplished by the affected State or local government.

(1) Debris removal is performed by the affected State or local government, with financial assistance from FEMA. However, if that local government requests, and FEMA determines that direct Federal assistance is necessary, FEMA can direct another Federal agency to perform the work.

(2) Emergency protective measures include, but are not limited to, search and rescue, demolition of unsafe structures, warning of further risks and hazards, public health and safety measures, and other actions necessary to remove or to reduce immediate threats to public health and safety, public property, or private property when in the public interest.

(3) Repair or Restoration of Public Facilities. FEMA provides funds for the permanent repair or restoration of public facilities belonging to a State or local government. A public facility includes any publicly owned building or structure, including those used for educational or recreational purposes; any airport facility; any park; any street or road not built with Federal funds; any flood control, navigation, irrigation, reclamation, water supply and distribution, or watershed development facility; and any public power or sewage treatment facility. The Act also provides assistance for the repair or restroation of certain private, nonprofit education, utility, emergency, medical, and custodial care facilities damaged or destroyed by a major disaster.

(4) Other Programs. In addition to the above, a number of other forms of assistance are available through FEMA. Emergency communications and emergency public transportation may be furnished. Community Disaster Loans may be provided. Under this program, FEMA may make loans, to a local government, up to 25 percent of the annual operating budget for the fiscal year in which the disaster occured. If, during the three full fiscal year post-disaster period, a local government is unable to meet operating budgets, including additional disaster-related municipal operation expenses, repayment of all or part of such loans will be cancelled. In addition, assistance may be provided when a forest or grasslands fire threatens to become a major disaster.

c. Individual and Family Assistance.

(1) Temporary Housing. Under this program, a State or Federal agency, with funds from the President's Disaster Relief Fund, provides temporary housing to families requiring such assistance as a result of a major disaster or emergency. The Temporary Housing Program provides assistance in the form of rental assistance (which includes available Government-owned and assisted housing units or privately owned housing units available on the open market) and mobile homes which are either owned or leased by the government. Both of these forms of assistance are provided rent-free for a period not to exceed one year at which time rent is established on the basis of the applicant's financial ability.

Assistance is also provided through implementation of the Minimal Repair Program (MRP) or the Limited Home Repair (LHR) funded under the Individual and Family Grant (IFG) program. The home repair program permits homeowners to remain in their homes rather than accepting other forms of temporary housing. This is done by restoring the resident quickly to a habitable condition.

Rental or mortgage payments may also be made on behalf of individuals and families who, as a result of financial hardship caused by a major disaster, have received written notice of eviction or dispossession.

To supplement temporary housing assistance, the program is authorized to provide furniture and household kits which replace essential items lost as a result of the disaster.

After assistance is provided, housing advisors work with applicants to develop housing plans so that suitable permanent housing can be located within the applicant's financial ability. Federal responsibility for operation of this program cannot exceed 18 months from date of declaration, after which the State or local government or the individual must assume responsibility.

To support the Temporary Housing Program, the Mobile Home Storage Program was established to assure readily available mobile homes and travel trailers. At present, there are four Strategic Storage Centers located throughout the country which provide Government-owned mobile homes when such assistance is required in disaster response operations. In State-administered programs, these units may be loaned or donated to the State to provide temporary housing.

(2) Disaster Unemployment Assistance. The U.S. Department of Labor, through the State Employment Security Agencies, administers job placement and disaster unemployment assistance programs for persons unemployed as a result of a major disaster or emergency, upon authorization from FEMA. Monies are furnished to the Department of Labor from the President's Disaster Relief Fund to enable payment of applicants' claims and reimburse administrative costs incurred by the Department of Labor.

Compensation to claimants may be provided until the claimant returns to pre-disaster employment or secures suitable new employment or receives Unemployment Insurance compensation for up to one year after the declaration of a major disaster or emergency. The compensation provided cannot exceed the maximum amount of payment under the State's unemployment compensation program. During the time that the claimant is unemployed as the result of a disaster, the State Employment Service makes every effort to find the individual suitable employment.

(3) Individual and Family Grants. As a result of a disaster declaration or emergency, the Governor of the affected State may request Individual and Family Grant (IFG) assistance from FEMA. This program provides grants (up to $5,000) to individuals and families to meet necessary expenses or serious needs which cannot be met by other governmental assistance or other means. A necessary expense is the cost of an item or service essential to overcome an adverse condition caused by the disaster. The States are responsible for administering the IFG program. However, the Federal Government pays 75 percent of the cost of the grants and the State pays 25 percent. In addition, three percent of the total Federal grant may be used by the State to defray administrative costs. FEMA provides States with technical assistance upon request which often includes helping to develop the administrative plan required for participation in this program.

Grants may be used for a number of disaster-related serious needs and necessry expenses. These include: medical or dental care; housing; replacement of personal property; repairing or replacing tools and equipment essential for employment; transportation costs; funeral expenses; transient

accommodations; and providing access to and removing debris from residences. The grant program is also being used to provide temporary housing resources, allowing the States to make grants for Limited Home Repair, when repairs can be made quickly to restore a dwelling to a habitable condition, a homeowner remains in his/her residence in lieu of other forms of temporary housing assistance.

(4) Crisis Counseling Assistance and Training. This program is designed to meet the mental health needs of victims of major disasters or emergencies. The program provides short-term counseling for disaster-related emotional problems and referral to existing mental health services for victims requiring longer-term care. The Crisis Counseling program, funded by FEMA, is formally operated through the National Institute of Mental Health with local level agencies (Community Mental Health Centers) as the primary grant recipients.

(5) Legal Services. These services are provided to disaster victims through the Young Lawyers Division of the American Bar Association or through appropriate Federal or State agencies. FEMA funds administrative expenses in support of the program.

d. State Disaster Preparedness Grants

Under this program, each "State" (as defined by the Disaster Relief Act of 1974, with the exception of the Canal Zone) applied for and received a one-time grant of up to $250,000 to develop plans, programs, and capabilities for disaster preparedness and prevention. That program is completed. States may also apply for annual grants, not to exceed $25,000, on a 50-percent matching basis, to improve, maintain, and update disaster plans and capabilities. This "improvement" grant can be used to identify particular risks and needs, to refine and expand response plans and standard operating procedures to address specific contingencies or functions or agencies, to train disaster staffs, to inform the public about preventive and remedial actions, and to assist local jurisdictions with their own disaster preparedness plans and capabilities.

4. PROGRAMS PROVIDED BY OTHER AGENCIES.

Many Federal agencies provide disaster and emergency assistance under separate enabling legislation exclusive of the Disaster Relief Act of 1974. Some of these programs are available even without a Presidential declaration of a major disaster or an emergency.

The Department of Agriculture provides a variety of assistance including: emergency food stamps, crop insurance, a crop loss disaster program, disease and pest control, emergency livestock feed, various conservation measures, rural electrification, and industrial development in small cities and rural areas. Business disaster loans, economic injury loans, loans for product loss, and home repair rebuilding loans are available to disaster victims from the Small Business Administration. The Army Corps of Engineers undertakes a number of flood control programs. The Department of Health and Human Services supplies emergency health services and provides for the restoration of health facilities damaged by disasters. The Department of Education assists in repairing or rebuilding damaged or destroyed public elementary and secondary schools. Aid for highway repair on the Federal-aid system is made available by the Federal Highway Administration, and the Department of Commerce provides aid for

commercial fisheries and building damage research. The Department of the Interior supports grants for earthquake hazard reduction and other activities, and the National Weather Service operates a forecast and warning service for severe weather phenomena.

The Internal Revenue Service furnishes advice and counseling on tax matters and tax relief for casualty loss. The Veterans Administration and Social Security Administration provide counseling to their clientele during major disasters. In the case of the Veterans Administration, forebearance on mortgage payments may be arranged.

In addition, the various Housing and Urban Devlopment programs may be of benefit to disaster victims. Community development block grants from HUD may be made available to affected localities. Adjustments to Federal loans, insured home loans, and loans for mobile home financing, property improvements, and rental housing are all available under various housing acts.

5. VOLUNTEER AGENCIES.

In any disaster or emergency, numerous volunteer organizations provide invaluable help and assistance. Three such volunteer agencies are recognized under the Disaster Relief Act of 1974; the American National Red Cross, the Mennonite Disaster Service, and the Salvation Army. Under the direction of the Federal Coordinating Officer, these organizations work closely with FEMA and other Federal agencies in supplying food, clothing, shelter, and medical care to disaster victims, in conducting search and rescue operations, and in helping to repair and restore damaged facilities.

PROGRAM ACTIVITY

More than $849 million was obligated in FY 1980 for payment for disaster relief services performed in response to situations which occurred in 1980 and prior years. The following table indicates the amounts obligated in 1980 by categories of assistance:

Category of Assistance

	Amount ($000)
Public Assistance	492,787
Emergencies	210,572
Temporary Housing	47,800
Individual and Family Grants	77,641
Disaster Unemployment Assistance	2,353
Crisis Counseling	659
Community Disaster Loans	500
Fire Suppression Assistance	58
Permanent Relocation (Love Canal)	15,000
State Disaster Preparedness Grants	1,250
Earthquake Loss Studies/Contingency Planning	475
Total	849,095

1. DISASTER AND EMERGENCY DECLARATIONS

The President declared 25 major disasters and five emergencies and FEMA approved two fire suppression grants during Fiscal Year 1980. 23 States and two Territories received Federal disaster assistance under these authorizations. Of the 30 Presidential declarations, California received three. In addition, Washington, Louisiana, Texas, and Pennsylvania each had two. These declarations were made in response to 63 requests for assistance from State Governors. After each request, the extent and nature of the damage and the need for Federal assistance were carefully assessed before a recommendation was made to the President.

An assistance agreement executed between the Federal Government and a State remains in effect until all authorized recovery work has been completed. All major disasters and emergencies declared in 1980 remain open. As of September 30, 1980, assistance is also being provided under 138 major disaster declarations and 18 emergencies declared prior to the beginning of 1980.

The following tables list the major disasters and emergencies declared during 1980:

MAJOR DISASTERS

State	Date Declared	Cause
Connecticut	10/4/79	Tornado and severe storms
California	10/19/79	Earthquake
American Samoa	11/9/79	Flooding, mudslides & landslides
Trust Territory	12/1/79	Sea wave action and flooding
Washington	12/31/79	Storms, high tides, mudslides and flooding
Hawaii	2/6/80	Severe storms, high surf and flooding
Arizona	2/19/80	Severe storms and flooding
California	2/21/80	Severe storms, mudslides and flooding
Louisiana	4/9/80	Severe storms and flooding
Arkansas	4/15/80	Severe storms and tornadoes
Mississippi	4/19/80	Storms, floods, winds, mudslides and tornadoes
Alabama	4/20/80	Severe storms, tornadoes and flooding
Missouri	5/15/80	Severe storms and tornadoes
Michigan	5/16/80	Severe storms and tornadoes
Louisiana	5/21/80	Severe storms and flooding
Washington	5/21/80	Volcanic eruption of Mt. St. Helens
Idaho	5/22/80	Volcanic eruption of Mt. St. Helens
Nebraska	6/4/80	Severe storms and tornadoes
Wisconsin	7/24/80	Severe storms and flooding
Texas	8/11/80	Hurricane Allen
West Virginia	8/15/80	Severe storms and flooding
Pennsylvania	8/19/80	Severe storms and flooding
Ohio	8/23/80	Severe storms and flooding
Michigan	9/8/80	Severe storms and flooding
Texas	9/26/80	Tropical Storm Danielle

Emergencies

California	2/1/80	Torrential rains, high tides and winds
Florida	5/6/80	Influx of undocumented aliens
New York	5/21/80	Chemical waste
Pennsylvania	7/21/80	Severe storms and tornadoes
Maine	9/20/80	Red tide - toxic algae

Fire Suppression Grants

Wisconsin	4/24/80	Fire
Colorado	6/15/80	Forest Fire

2. DISASTER ASSISTANCE PROVIDED

Responding to the major disasters and emergencies declared in 1980, FEMA coordinated the provision of a wide range of public assistance to States and local governments as well as assistance to individuals and families. In a disaster situation, one or more Disaster Assistance Centers are set up to provide guidance and assistance to disaster victims. FEMA also fulfilled its role as coordinator in disaster or emergency situations in concert with other Federal agencies and State and local governments.

In addition, Disaster Response and Recovery, as the operational arm of FEMA, responded to a wide variety of emergency situations, both declared and undeclared. Under the expanded mission of Comprehensive Emergency Management, FEMA participated with State and local governments in response to such varied incidents as Love Canal in New York, the influx of undocumented aliens to Florida, the southwestern heatwave of 1980, and the volcanic eruption of Mt. St. Helens in Washington. Disaster response activities are discussed in the following sections.

a. Public Assistance. During FY 1980, 83 percent of the funds supplied for disaster relief were provided for public assistance activities, such as debris removal, the repair and restoration of damaged public facilities, fire suppression assistance, community disaster loans, and other activities. This includes emergency work to protect life, public health and safety, and permanent restoration activities which may require planning, design, and formal contracting procedures. During FY 1980, guidelines on Floodplain Management and Hazard Mitigation were published, placing greater emphasis on land use and construction as methods to avoid or mitigate disaster damage. Additional guidelines were published during 1980 on Snow Removal Policy, thus clarifying the supplemental nature of the program. In 1980, over 703 million was obligated for public assistance activities, including $234 million for direct Federal assistance (work performed by Federal agencies). These obligations were made for disasters and emergencies which occurred in 1980 and prior years.

(1) Emergency Assistance. Late in FY 1979, extensive assistance to remove debris and wreckage was required because of coastal flooding in the aftermath of Tropical Storm David and Hurricane Frederic. During FY 1980, similar work was required after the volcanic eruption of Mt. St. Helens in Washington, primarily to prevent additional flooding and for emergency ash removal. Emergency assistance was also provided in response to the influx of undocumented aliens to south Florida. Obligations for these activities totaled over $210 million for 1980 and prior years.

(2) Repair and Restoration of Damaged Facilities. Numerous public facilities, including road systems, water control facilities, public buildings and related equipment, and public utilities were damaged as a result of major disaster situations in FY 1980. Over 490 million was obligated to repair and restore these facilities. In addition, over $2 million was obligated to repair and restore private nonprofit facilities, including educational, custodial care, and medical facilities, for disasters declared during FY 1980 and prior years.

b. Individual Assistance. The programs under this type of assistance are: Temporary Housing, Disaster Unemployment Assistance (DUA), Individual and Family Grant (IFG), Crisis Counseling and Legal Services. $143.5 million were obligated from the President's Disaster Relief Fund for these programs in FY 1980.

(1) Temporary Housing. Twenty-two of the major disaster declarations and emergencies required temporary housing assistance. States administered 59 percent (13 of the 22 programs) which is an increase of five percent over the previous fiscal year. Approximately 9,000 families were assisted in FY 1980, 3,200 of these families were assisted in State-run programs. Obligations for the Temporary Housing Program were $47.8 million.

To augment the Temporary Housing Program, 1,000 mobile homes were purchased during this fiscal year in support of Hurricane Frederic response. Eleven of the 22 programs required 724 mobile homes to house families where existing resources were not available.

In addition to the major disaster declarations, the Temporary Housing Program was implemented in the emergency declared for the Love Canal chemical contamination in New York. Applications were received from 599 affected families. Existing resources and transient accommodations were the types of assistance provided. However, under supplemental appropriations for 1980, FEMA was authorized to provide assistance for the permanent relocation of residents of the Love Canal area. As of the end of FY 1980, 43 percent of the offers made to applicants were accepted. The obligations in FY 1980 for the relocation program total $15 million.

(2) Disaster Unemployment Assistance. The Department of Labor was authorized $2.3 million in order to administer a total of 17 programs.

(3) Individual and Family Grants. In FY 1980, approximately $77 million were obligated for the Federal share of the IFG program costs. As of the end of the fiscal year, 9,544 individuals and families in 20 declared disaster were assisted. In addition to individuals and families assisted in these 20 declarations, grants were also provided for applicants of previous declarations who were assisted during FY 1980.

(4) Crisis Counseling. FEMA advanced a total of $659,473 for crisis counseling assistance as a result of declarations in Mississippi, Alabama, Puerto Rico and California.

c. State Disaster Preparedness Grants. Eligible for the annual $25,000-maximum Improvement Grant are the 50 States, the District of Columbia, the Commonwealth of Puerto Rico and the Northern Mariana Islands, the Trust Territories of the Pacific Islands, and the Territories of American Samoa, Guam, and the Virgin Islands--all of which participated in the now-completed Development Grant Program. Actual obligations in FY 1980 totaled $1,250,000. A total of 54 grants were awarded in FY 1980, of which four were for the first time.

d. Assistance provided by Other Federal Agencies. Each major disaster declaration triggers assistance from other Federal agencies, for example, the Small Business Administration (SBA) and the Department of Agriculture's Farmers Home Administration (FmHA). In 1980, SBA provided to major disaster areas $369 million in home/personal property loans and $832 million in business loans. FmHA provided $2.3 billion in loans to farmers. A variety of assistance can come from several other Federal agencies, although not necessarily triggered by a Presidential declaration. This year the Federal Highway Administration provided grants to rebuild Federal-aid roads and bridges in disaster areas. The U.S. Office of Education provided funds for public schools that suffered disaster damage. The Department of Agriculture approved applications for emergency food stamps totaling approximately $1.2 million. The Corps of Engineers rebuilt dams, levees, and other water control facilities.

e. Volunteer Agencies. The Red Cross, Salvation Army, Mennonite Disaster Service, and other volunteer agencies furnished food, clothing, shelter and other relief and recovery assistance to disaster victims. Relief efforts in declared disasters were coordinated with FEMA.

The Disaster Relief Act of 1974 also authorizes the President to provide assistance, including grants, equipment, supplies, and personnel, to a State for the suppression of a forest or grassland fire on public or private lands that threatens to become a major disaster. The authority has been delegated to the Director of FEMA, and, in turn, to the Associate Director, DR&R. The Governor of a State requests such assistance through the FEMA Regional Director and supports the request with information on the nature of the threat and the need for Federal assistance.

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In order to supply necessary services in a quick and effective manner, the FCO establishes a Disaster Field Office and one or more Disaster Assistance Centers in the disaster area shortly after the declaration. At these centers, victims can meet with Federal, State, local and private organization representatives to receive advice and assistance in applying for disaster services. At the Disaster Field Office, the FCO as the President's representative, monitors the relief and recovery efforts, reporting progress to the new media as well as the highest levels of government. Typically after a response effort has ended, the FCO conducts an after-action critique, with the aim of improving the efficiency and effectiveness of the delivery of assistance.

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(1) Debris removal is performed by the affected State or local government, with financial assistance from FEMA. However, if that local government requests, and FEMA determines that direct Federal assistance is necessary, FEMA can direct another Federal agency to perform the work.

(2) Emergency protective measures include, but are not limited to, search and rescue, demolition of unsafe structures, warning of further risks and hazards, public health and safety measures, and other actions necessary to remove or to reduce immediate threats to public health and safety, public property, or private property when in the public interest.

(3) Repair or Restoration of Public Facilities. FEMA provides funds for the permanent repair or restoration of public facilities belonging to a State or local government. A public facility includes any publicly owned building or structure, including those used for educational or recreational purposes; any airport facility; any park; any street or road not built with Federal funds; any flood control, navigation, irrigation, reclamation, water supply and distribution, or watershed development facility; and any public power or sewage treatment facility. The Act also provides assistance for the repair or restoration of certain private, nonprofit education, utility, emergency, medical, and custodial care facilities damaged or destroyed by a major disaster.

(4) Other Programs. In addition to the above, a number of other forms of assistance are available through FEMA. Emergency communications and emergency public transportation may be furnished. Community Disaster Loans may be provided. Under this program, FEMA may make loans, for up to 25 percent of the annual operating budget for the fiscal year in which the disaster occurred, to a local government. During the three full fiscal year post-disaster period is unable to meet operating budgets, including additional disaster-related municipal operation expenses, repayment of all or part of such loans will be cancelled. In addition, assistance may be provided when a forest or grasslands fire threatens to become a major disaster.

c. Individual and Family Assistance.

(1) Temporary Housing. Under this program, a State or Federal agency, with funds from the President's Disaster Relief Fund, provide temporary housing to families requiring such assistance as a result of a major disaster or emergency. The Temporary Housing Program provides assistance in the form of rental assistance (which includes available Government-owned and assisted housing units or privately owned housing units available on the open market) and mobile homes which are either owned or leased by the government. Both of these forms of assistance are provided rent-free for a period not to exceed one year at which time rent is established on the basis of the applicant's financial ability.

Assistance is also provided through implementation of the Minimal Repair Program (MRP) or the Limited Home Repair (LHR) funded under the Individual and Family Grant (IFG) program. The home repair program permits homeowners to remain in their homes rather than accepting other forms of temporary housing. This is done by restoring the residence quickly to a habitable condition.

Rental or mortgage payments may also be made on behalf of individuals and families who, as a result of financial hardship caused by a major disaster, have received written notice of eviction or dispossession.

To supplement temporary housing assistance, the program is authorized to provide furniture and household kits which replace essential items lost as a result of the disaster.

Disaster Relief
Object Classes
(In thousands of dollars)

Direct Obligations

Code	Object Class	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982
	Personnel compensation:				
11.1	Permanent positions	$ -	$ -	$ 2	$ -
11.3	Positions other than permanent	-	-	-	-
11.5	Other personnel compensation	-	-	-	-
	Total personnel compensation	$ -	$ -	$ 2	$ -
	Personnel benefits:				
12.1	Civilian	$ -	$ -	$ -	$ -
21.0	Travel and transportation of persons	-	-	-	-
21.1	Interagency Motor Pool	-	-	-	-
22.0	Transportation of things	-	-	-	-
23.1	Standard Level User Charge	-	-	-	-
23.2	Comm., Utilities & Other Rent	-	-	-	-
24.0	Printing and reproduction	-	-	-	-
25.0	Other Services	234,512	178,395	162,668	142,244
26.0	Supplies and materials	-	-	-	-
31.0	Equipment	-	-	-	-
32.0	Lands and structures	-	-	-	-
41.0	Grants, subsidies, and contributions	614,583	197,175	417,306	239,423
42.0	Insurance claims and indemnities	-	-	-	-
43.0	Interest and dividends	-	-	-	-
99.0	Total Direct Obligation	$849,095	$375,570	579,974	381,667

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FEDERAL EMERGENCY MANAGEMENT AGENCY

APPROPRIATION LANGUAGE

NATIONAL FLOOD INSURANCE FUND

For repayment under notes dated April 17, 1979, and September 28, 1979, issued by the Director of the Federal Emergency Management Agency to the Secretary of the Treasury pursuant to section 15(e) of the Federal Flood Insurance Act of 1956, as amended (42 U.S.C. 2414(e)), [$575,000,000] $373,000,000. (Department of Housing and Urban Development-Independent Agencies Appropriation Act, 1981.

NATIONAL FLOOD INSURANCE FUND
(In thousands of dollars)

SUMMARY OF BUDGET ESTIMATES

I. Summary of Budget Request

PROGRAM HIGHLIGHTS PROGRAM LEVEL	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
A. National Flood Insurance Fund.....	249					
Appropriation.....		0	$603,000	$561,085	$373,000	$- 188,085
Obligations.....		($451,629)	($269,485)	($415,154)	($424,272)	($+ 9,118)
BUDGET AUTHORITY.....		0	$603,000	$561,085	$373,000	$- 188,085
BUDGET OUTLAYS.....		$382,214	$108,358	$229,769	$116,942	
PERMANENT POSITIONS - HEADQUARTERS.....		0	0	0	0	
- REGIONS.....		0	0	0	0	
TOTAL WORKYEARS.....		0	0	0	0	

II. Changes from Original FY 1981 Estimates

This appropriation request reduces by a net $41,915,000 from $603,000,000 to $561,085,000 due to:

- o $- 28,000,000 FY 1981 Congressional reduction
- o $- 13,915,000 FY 1981 appropriation percentage reduction

$- 41,915,000 Net Decrease

A. National Flood Insurance Fund

1. Insurance Program

a. Authority. The National Flood Insurance Act of 1968, as amended, authorizes flood insurance to be provided on a national basis by a joint program with the Federal Government and the private insurance industry or through the facilities of the Federal Government. Until December 31, 1977, flood insurance was provided by a joint government-industry program. As of January 1, 1978, the Federal Government assumed the full responsibility for operating the program. The financial impact of that decision is a reduction in the cost of administering the program.

The instrument through which the Federal Government fulfills its financial responsibilities is the National Flood Insurance Fund which is financed by Treasury borrowings. The Director is authorized to borrow $500 million from the Treasury with an additional $500 million available with approval of the President and notification to Congress. Borrowing against the additional $500 million was required during FY 1979. An appropriation of $575,000 thousand was received in FY 1981, which was reduced to $561,085 by P.L. 96-526. It will be used to repay part of the debt issued prior to FY 1980. It is anticipated that an appropriation will be requested each fiscal year to repay prior borrowing. The amount requested in FY 1982 is $ 373 million. This request is based on the estimated program subsidy for 1980.

b. Program Description

(1) Coverage. All existing buildings and their contents in communities where flood insurance is available, through either the Emergency or the Regular Program, are eligible for a first layer of coverage at subsidized premium rates. Full-risk actuarial rates are charged for new construction or substantial improvements commenced in identified special flood hazard areas after December 31, 1974, or after the effective date of the Flood Insurance Rate Map issued to the community, whichever is later. In communities in the Regular Program, a second layer of flood insurance coverage is available at actuarial rates on all properties, and full actuarial rates for both layers apply to all new construction or substantial improvements located in special flood hazard areas.

Coverage is available for one- to four-family residential properties, and other residential properties, other business properties, churches, agricultural properties, properties occupied by private nonprofit organizations, and properties owned by local and State governments and agencies thereof.

The Flood Disaster Protection Act of 1973 broadened the scope of insurance coverage to include erosion losses caused by abnormal water levels and similar unforeseeable flood related conditions, and made it clear that flood related mudflow losses are covered.

The following table summarizes the limits of insurance available under existing law:

	EMERGENCY PROGRAM	REGULAR PROGRAM	
		1st LAYER OF COVERAGE	2ND LAYER OF COVERAGE
Structure:			
Single-Family residential	Up to $ 35,000	Up to $ 35,000	$ 35,001-185,000
Other residential	Up to $100,000	Up to $100,000	$100,001-$250,000
Small business	Up to $100,000	Up to $100,000	$100,001-$250,000
Other non-residential	Up to $100,000	Up to $100,000	$100,001-$200,000
		1st LAYER OF COVERAGE	2ND LAYER OF COVERAGE
Contents:			
Residential (per unit)	Up to $ 10,000	Up to $ 10,000	$ 10,001-$ 60,000
Small business	Up to $100,000	Up to $100,000	$100,001-$300,000
Other-nonresidential	Up to $100,000	Up to $100,000	$100,001-$200,000

NOTE: Higher coverage available under the Emergency Program in Hawaii, Alaska, Virgin Islands and Guam.

(2) Subsidized Premium Rates. The National Flood Insurance Act provides for the establishment of "chargeable" or subsidized premium rates designed to encourage the sale of flood insurance, at less than full actuarial levels. Subsidized flood insurance premuim rates were reduced after Hurricane Agnes, when only one percent of those at risk were covered by insurance, in order to encourage further sale of policies.

The 1973 Act provides that all flood insurance may be written at subsidized rates on construction in participating communities until December 31, 1974, or until the effective date of the Flood Insurance Rate Map (FIRM) with 100-year flood elevation data, whichever is later. Subsequent new construction and additional limits of coverage for existing construction within the identified special flood hazard areas of a Flood Insurance Rate Map are eligible for flood insurance only at actuarial rates.

The following table shows the current subsidized premium rates available for limits of coverage:

	LIMITS OF COVERAGE AND SUBSIDIZED RATES (Per Unit)			
	STRUCTURE COVERAGE	RATE a/	CONTENTS COVERAGE	RATE a/
TYPE OF STRUCTURE				
Single-family residential	$ 35,000	$0.25	$ 10,000	$0.35
All other residential	100,000	0.25	10,000	0.35
All nonresidential b/	100,000	0.40	100,000	0.75

a/ Rates per $100 of coverage.
b/ Includes hotels and motels with normal occupancy of less than six months.

(3) Actuarial Rates. Studies and investigations of specific areas to determine flood risk at various elevations are carried out in conjunction with the U.S. Army Corps of Engineers, Soil Conservation Service, U.S. Geological Survey, National Oceanic and Atmospheric Administration, Tennessee Valley Authority, Bureau of Reclamation and (as necessary) State and local agencies and private engineering firms. These studies are used to estimate probable average annual damages from flooding that have a one percent chance of occurrence in any given year, and the pure risk rate for flood insurance. In addition, the full-cost premium rates (i.e., actuarial rates) take into account all costs of conducting the insurance business.

Some sparsely populated special flood hazard areas, however, as well as flood risk zones outside the special flood hazard areas, do not warrant detailed studies to determine elevations. In these areas, actuarial zone rates are used.

(4) Recent Program Initiatives.

(a) During FY 1980 the Map Information Facility (MIF) was put into operation. Prior to the MIF, the program was dependent on the printing, storage and distribution of flood insurance maps to disseminate flood risk information to the public. As the size of the program increased, this process became cumbersome and inefficient. As an alternative, insurance agents, brokers, and mortgage lenders, in a few states, can now call the MIF via toll-free lines to receive this information. The purpose of the MIF is to provide more efficient service to the public while insuring the integrity of the underwriting aspects of the program. As of December 1, 1980, the MIF was operational in 17 states and has responded to over 10,000 inquiries. However, an analysis of this operation is being made by FIA and GAO as to the high cost of continuing the system, the value of the data being received versus the desire of lenders, state flood plain managers, and others to continue to receive the maps, the availability of similar services being offered in the private sector, and the cost of improving the existing map distribution system. A decision on the MIF will be made in March 1, 1981.

(b) Effective January 1, 1981, significant changes were made in the rating and processing of flood insurance applications. Changes made include the following:

--The expense constant for actuarial coverage was increased from $15 to $20, and a $20 expense constant was added for subsidized coverage in order to shift the cost of administering the program from the general taxpayer to the policyholders who are the principal beneficiaries of the program. The $20 expense constant includes expenses such as NFIP operation and the cost of map distribution and information services plus an amount to offset, in part, taxpayer cost of restudies in areas where the existing risk zone and elevation study needs to be updated because of changes in topography or changing developing patterns.

Historically, for the period FY 1974 through FY 1979, the cost of administering the insurance program was $24 per policy. For FY 1980 through 1982 it is projected that the per policy cost of administering the program can be reduced to $20 per policy. The historical average, projections through FY 1982, and the breakdown of the expense constant are as follows:

	ACTUAL FY 1974-FY 1979	FY 1980	FY 1981	FY 1982	Expense Constant
NFIP Operations	$18.56	$13.33	$12.50	$12.00	$14.00
Map Distribution and Information Service	1.52	4.63	3.82	3.54	4.00
* Flood Insurance Restudies and Related Expense	3.92	3.74	3.68	3.75	2.00
Total	$24.00	$21.70	$20.00	$19.29	$20.00

* Assumes constant budgetary dollar level of restudy effort. Commencing in FY 1983, restudies should be funded through the National Flood Insurance Fund.

--An increase in actuarial rates is due to the adverse effects of severe flooding in recent years, the significant increases in the cost of housing and construction materials and the fact that there has never been a rate increase in the history of the program.

--The average impact of the addition of the expense constant, the minimum premium being increased from $25 to $50, and the increase in actuarial rates to policies is as follows:

Emergency Program	23%
Regular Program	39%
Overall Average	32%

--Three year policy terms are offered in addition the standard one year policy.

(c) These program changes were implemented through the following actions:

--The flood insurance application forms were revised to contain all pertinent information and to make them easier to complete.

--A revised flood insurance manual was prepared and distributed to all insurance agents and brokers who process flood insurance.

--Insurance agent workshops were conducted to inform agents and brokers of program changes.

--A new computer system was installed to facilitate the efficient processing of flood insurance applications and to facilitate communication with agents and policyholders regarding the status of policies and claims.

NATIONAL FLOOD INSURANCE FUND
FINANCIAL TRANSACTIONS a/
(In thousands of dollars)

	CUMULATIVE 9/30/79	ACTUAL FY 1980	ESTIMATE FY 1981	ESTIMATE FY 1982
Policies in force:				
Number	1,700,000	1,897,000	2,187,000	2,441,000
Amount	$67,200,000	$88,500,000	$96,000,000	$107,500,000
Program costs, funded:				
Agents commissions and taxes	101,549	27,891	36,785	41,573
Operating expenses	96,404	25,460	27,984	34,927
Total underwriting	197,953	53,351	64,769	76,500
Losses	803,477	274,097	290,731	310,792
Loss adjustment	50,060	18,768	14,537	15,510
Total loss and adjustment	$ 853,537	$ 292,865	$ 305,268	$ 326,302
Interest on Treasury borrowing	59,495	63,652	40,410	15,748
Adjustment to prior years	....	34,309 b/	....	....
Unfunded adjustments to program cost	....	-13,284	-14,729	-19,461
Capital investment funded	....	15,926	19,436	25,183
Total program costs, funded	$ 1,110,985	$ 446,819	$ 415,154	$ 424,272
Changes in selected resources	5,380	4,810	....	....
Total obligations	$ 1,116,365	$ 451,629	$ 415,154	$ 424,272
Offsetting collections, received	510,809	153,985	204,933	308,998
Obligations, net (Federal subsidy)	$ 605,556	$ 297,644	$ 210,221	$ 115,274
Cumulative obligations, net (Federal subsidy)	605,556	903,200	1,113,421	1,228,695
Cumulative budget authority	1,000,000	1,000,000	1,561,085	1,934,085
Unobligated balance, end of year	$ 394,444	$ 96,800	$ 447,664	$ 606,690

a/ Financial data through 1978 has been adjusted to make all financial data comparable pursuant to Federal assumption of operating responsibility on 1/1/78.

b/ Adjustment for accrual of losses and loss adjustment expenses incurred but not reported as of 9/30/79.

The following table provides a breakdown of the contractor costs for each fiscal year. The totals on this page do not correspond with the operating expenses on the preceding page, because the contractor costs contain some loss adjustment expenses and do not contain the Map Information Facility cost which is an operating expense.

CONTRACTOR COSTS

	ACTUAL 1980	ESTIMATE 1981	ESTIMATE 1982
Direct Costs			
Direct labor	$ 6,037,707	$ 6,928,439	$ 7,778,000
Overhead	2,840,331	3,163,525	3,551,400
Travel	338,716	305,135	350,000
Other direct costs	8,796,070	9,577,671	10,483,300
Total direct costs	$18,012,824	$19,974,770	$22,162,700
General and Administrative	2,810,290	2,596,720	3,102,800
Interdivisional transfers	108,276	2,081,000	2,526,500
Fee	2,004,484		
Total Contractor cost and fee	$22,935,874	$24,652,490	$27,792,000
Disaster Site	1,260,675	720,000	1,000,000
Marketing	1,093,385	480,000	500,000
Total letter of credit	$ 2,354,060	$ 1,200,000	$ 1,500,000
Total Expenses	$25,289,934	$25,852,490	$29,292,000

c. Changes from Original FY 1981 Estimates

Program Levels	ACTUAL 1980	BUDGET ESTIMATE 1981	CURRENT ESTIMATE 1981	ESTIMATE 1982	INCREASE + DECREASE - 1981 vs 1982
Policies in force, end of year:					
Number.....	1,897,000	2,125,000	2,187,000	2,441,000	+254,000
Amount.....	$88,500,000	$81,194,000	$96,000,000	$107,500,000	+$11,500,000
Flood Insurance Claims (amount)	292,865	209,115	305,268	326,302	+21,034
Insurance underwriting expense	53,351	55,800	64,769	76,500	+11,731
Premium income	153,985	171,278	204,933	308,998	+104,065
Budget authority.	...	603,000	561,085	373,000	-188,085
Budget outlays...	382,214	108,358	229,769	116,942	-112,827

The slight increase in policies in force results from projections based on the increase in FY 1980.

The increase in insurance in force is a result of increased coverage per policy which is caused by increasing construction costs.

An increased average claim amount and an increase in the number of policies cause the total amount of claims to increase.

Underwriting expenses are increasing with the establishment of the Map Information Facility, as well as increased policies and claims.

With new rates which took effect January 1, 1981, premium income increases. Average coverage has increased as well because of inflation.

The decrease in budget authority results from a Congressional reduction from $603 million to $575 million and the application of reduction called for by Public Law 96-526.

The increase in budget outlays results from the above increases and an increase in interest expenses and increasing interest rates.

d. FY 1982 Activity. FIA will continue to provide service to consumers, to sell and service policies, adjust claims, utilize the insurance component to further mitigation goals, and maintain the insurance component of the National Flood Insurance Program.

An appropriation of $ 373 million is requested for FY 1982. This appropriation will be used to repay borrowings against the $1 billion borrowing authority.

Changes in outlay estimates result from increases in both premium rates and the deductible.

Direct Obligations

Code	Object Class	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982
	Personnel Compensation:				
11.1	Permanent positions ...	$ -	$ -	$ -	$ -
11.3	Positions other than permanent..	-	-	-	-
11.5	Other personnel compensation....	-	-	-	-
	Total personnel compensation....	$ -	$ -	$ -	$ -
	Personnel benefits:				
12.1	Civilian.....	$ -	$ -	$ -	$ -
21.0	Travel and transportation of persons.....	-	-	-	-
21.1	Interagency motor pool.....	-	-	-	-
22.0	Transportation of things.....	-	-	-	-
23.1	Standard level user charge.....	-	-	-	-
23.2	Comm., utilities & other rent...	-	-	-	-
24.0	Printing and reproduction.....	-	-	-	-
25.0	Other services.....	95,112	49,757	69,476	82,222
26.0	Supplies and materials.....	-	-	-	-
31.0	Equipment.....	-	-	-	-
32.0	Lands and structures.....	-	-	-	-
41.0	Grants, subsidies contributions.....	-	-	-	-
42.0	Insurance claims and indemnities	292,865	209,115	305,268	326,302
43.0	Interest and dividends.....	63,652	10,613	40,410	15,748
99.0	Total obligations.....	$451,629*	$269,485*	$415,154*	$424,272*

*Includes obligations against premium income.

NATIONAL INSURANCE DEVELOPMENT FUND
(In thousands of dollars)

SUMMARY OF BUDGET ESTIMATES

I. Summary of Budget Request

PROGRAM HIGHLIGHTS PROGRAM LEVEL	Page No.	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982	Increase/Decrease FY 1982 vs 1981
A. National Insurance Development Fund.. Obligations.....	258	($74,035)	($30,665)	($47,181)	($50,430)	($+ 3,249)
BUDGET AUTHORITY.....		0	0	0	0	0
BUDGET OUTLAYS.....		$23,586	$10,633	$26,302	$28,722	
PERMANENT POSITIONS - HEADQUARTERS.....		0	0	0	0	
REGIONS.....		0	0	0	0	
TOTAL WORKYEARS.....		0	0	0	0	

II. Changes from Original FY 1981 Estimates
No appropriation has been requested for this fund.

A. National Insurance Development Fund

1. Riot Reinsurance Program

a. Authority. The deteriorating insurance market in inner city areas and the civil disturbances of the mid-sixties made it virtually impossible for many property owners and small businessmen to obtain insurance. Congressional concern over the lack of insurance availability for these properties which, except for their location, were insurable risks, resulted in the programs authorized by the Urban Property Protection and Reinsurance Act of 1968 (Title XI of the Housing and Urban Development Act of 1968). Riot Reinsurance availability was expressly conditioned upon continuing participation by insurers in approved Fair Access to Insurance Requirements (FAIR) Plans for citizens requiring "essential property insurance." The powers of the Director to offer new riot reinsurance contracts terminates on September 30, 1981, under existing legislation. The budget estimates for the Riot Reinsurance Program assume that legislation will be enacted to extend the program beyond that expiration date since severe commercial market capacity shortages continue to force many property owners into FAIR Plans.

b. Objective/Program Description

(1) FAIR Plans. Private insurers, working together under the supervision of the State insurance regulatory authority, establish plans, called Fair Access to Insurance Requirements (FAIR) Plans, to assure property owners an opportunity to obtain essential property insurance. These plans may be established pursuant to State statute making participation mandatory for all property insurers authorized to do business in the State; they may be established pursuant to general regulatory authority where the regulatory power of the State insurance official so permits; or they may be established through a voluntary association of insurers acting under the supervision of the insurance authority where local circumstances permit.

FAIR Plans are intended to assure that every property will be considered and rated for insurance purposes on the basis of the use and condition of such property without respect to its location or other exposure to hazard beyond the control of its owner. Company participation in a FAIR Plan meeting minimum standards is a prerequisite to Federal reinsurance in any State. These minimum standards are:

- Before a property may be declined for insurance or subjected to higher rates, there must first be an inspection, without cost to the owner, to determine the insurability of the property as measured against reasonable underwriting standards relevant to the peril for which insurance is desired.

- A written report must be prepared on the inspection setting forth the condition of the property, the applicable premium rate and, if the property has been found deficient, the specific improvements needed to render the property insurable or insurable at an unsurcharged rate.

- An industry placement facility must be made available through which the owner of an eligible property, who has been unable to secure coverage in the normal market, can obtain coverage at rates based upon the actual condition of the property without respect to hazards which are beyond his control.

- The rates charged for coverage in the FAIR Plan can be no higher than the rates charged for the same coverage in the voluntary market, except that surcharges may be levied for physical deficiencies.

- At least one-third of the FAIR Plan governing board must be composed of individuals having no connection with the insurance industry.

- There must be supervision by the State insurance regulatory authority to assure that the rights of citizens are fully protected and that the plan operates equitably. Insureds must be notified of the availability of a procedure for submitting complaints to the appropriate insurance department.

- There must be a continuing program of public education so that the plan receives widespread public notice.

States have been urged to adopt a Full Insurance Availability system. This would enable persons who are currently uninsured, or who have been forced into the substandard and unlicensed markets, or into FAIR Plans or automobile assigned risk plans, to purchase essential insurance at an appropriate rate from the insurer of their choice. Under this proposal, no insurance company could refuse to sell property or casualty coverage to any insurable risk. At the same time, the Full Insurance Availability system reflects the right of insurers to seek a reasonable profit and provides procedures whereby so-called residual market losses can be distributed more equitably than is done currently. The system entails no Federal role, no Federal or other public subsidy, and would require all risks to pay a premium appropriate to the exposure they represent. The complete implementation of Full Insurance Availability could eliminate the need for FAIR Plans in the 28 States where they now exist, but such implementation cannot be anticipated in the near term.

(2) Reinsurance by the Federal Government. Reinsurance protection against excess losses due to riot or civil disorder is offered to insurers that participate in FAIR Plans in cooperating States.

(a) Reinsurance Coverage. Where reinsurance is purchased by a primary insurer from the Federal Government, it must be purchased to cover losses resulting from riots or civil disorders on all the following property insurance lines:

- fire and extended coverage;
- vandalism and malicious mischief;
- other allied lines of fire insurance;
- burglary and theft; and
- similar coverages under multiple perils policies, including commercial and homeowners' policies.

Reinsurance coverage may also be purchased, at the option of the insurers, to protect against excess riot or civil disorder losses in any of the following lines of insurance:

- inland and ocean marine;
- glass;
- boiler and machinery; and
- aircraft physical damage.

(b) Reinsurance Contracts. Reinsurance is provided in cooperating States to participating insurers through annual contracts with the Federal Insurance Administration, which run from October 1 to September 30 each year. The standard reinsurance contract expiring September 30, 1981 was made available on the basis of a provisional premium computed at an annual rate of 0.025 percent of the insurer's direct earned premiums on reinsured lines, subject, however, to liability of the insurer for payment of additional premium of up to 0.25 percent, payable in incremental steps of 0.05 percent depending upon loss experience, if the total of all losses under all contracts for the contract year exceeds the total of all provisional premiums under such contracts.

Primary insurers are required to retain a portion of losses for their own account. The current contract provides for a net retention equal to the greater of $1,000 or 2 1/2 percent of the insurer's direct premiums earned within a State up to the amount of their unabsorbed net retentions if that is required to cover aggregate losses in that State.

Terms for the succeeding contract are expected to be similar to those now in effect.

(c) Reinsurance Operations. The National Insurance Development Fund is credited with all premium and other receipts and is charged with all loss payments to reimburse a participating insurer in cooperating States for the amount of the approved claims for losses from riots and civil disorders in that State in excess of its net retention. In addition, as indicated above, assessments may be made against participating insurers to cover severe losses.

(3) State Sharing of Losses. In order for Federal reinsurance to be available, the State must enact legislation under which it agrees to reimburse the Director for payment of Federal reinsurance losses from riots or civil disorders in that State up to a maximum equal to five percent of the total insurance premiums on lines reinsured by the Federal Government in the State. The State may, consistent with its constitution, raise the necessary reimbursement funds through appropriation from the general funds, assessments against insurers, or special levies. It is expected that more States would participate if the requirement for State sharing of losses were eliminated.

Program Activity

(1) FAIR Plans. The following tabulation shows the status of State FAIR Plans and enactment of State-sharing legislation as of December 31, 1980:

States with operative FAIR Plans -- FEMA reinsurance available:

Connecticut	Maryland	North Carolina
Delaware	Massachusetts	Ohio
District of Columbia	Michigan	Pennsylvania
Georgia	Missouri	Rhode Island
Illinois	New Jersey	*Washington
Kentucky	New Mexico	Wisconsin

* The FAIR Plan in Washington is mandatory for the largest insurers, voluntary for the rest. All other FAIR Plans are statutory or mandatory.

During FY 1979 and 1980 Federal Riot Reinsurance was terminated in ten jurisdictions. In Iowa, Minnesota, New York, Oregon, and Virginia, insurance was terminated because rates charged for coverage under FAIR plans was higher than that charged for coverage under the voluntary market. In California, Louisiana and Kansas, riot reinsurance is not available because those States do not provide for the statutorily required five percent state backup. In addition, in Indiana and Puerto Rico, riot reinsurance was not made available for the 1980-81 contract year because no steps have been taken in those jurisdictions to comply with the public membership requirements of the Act.

(2) Insurance Policies in Force Under FAIR Plans. The Plans have become important as sources for essential property insurance for risks unable to obtain placement through the normal market. In many States, the FAIR Plans have become the largest single writer of fire and extended coverage insurance. From inception to December 31, 1979, 26 million policies had been written. The amount of insurance in force as of that time was $29 billion.

(3) Review and Compliance. Review and compliance was established pursuant to the provision of the Housing and Urban Development Act of 1970. It has the responsiblility for determining that FAIR Plans are complying with the Act and the regulations promulgated pursuant to the Act. Technical examinations were completed in 1980 in Connecticut, Delaware, the District of Columbia, Georgia, Maryland, New Jersey, New Mexico, North Carolina, Pennsylvania, Virginia, and Washington.

(4) Extent of Losses. At the time the Act was passed, studies of the extent and geographic distribution of riot losses in prior years, particularly 1967 and 1968, indicated that a fund of approximately $50 million would be needed to cover riot and civil disorder losses on a State-by-State basis if they were on the order of size of the Newark, Detroit and Watts riots. Factoring in inflation in housing construction costs of 72 percent between 1967 and 1975, assuming inflation through 1980 at 7 percent, and assuming inflation in 1981 at 12 percent, a fund of approximately $140 million would be required to cover a loss of similar size. Excluding draw-downs for the Crime Insurance program, the balance of the National Insurance Development Fund would be about $122 million in 1980. The present fund balance is no longer adequate to cover riot losses of the magnitude experienced in the late 1960's.

The following table summarizes claims under the riot reinsurance contracts through December 31, 1980:

CONTRACT PERIOD	CLAIMS PAID	CLAIMS PENDING	CLAIMS DENIED
	(Dollars in Thousands)		
1968-1969.....	$ 2,861	....	$1,979
1969-1970.....	3,187	....	1,803
1970-1971.....	2,834	....	831
1971-1972.....	1,379	....	320
1972-1973.....	449	....	161
1973-1974.....	355	....	...
1974-1975.....	927	....	...
1975-1976.....	2,074	....	...
1976-1977.....	127	....	800
1977-1978.....	2,237	....	294
1978-1979.....	2,981	1,600	294
1979-1980.....	833	1,500	...
Total	$20,244	$3,100	$6,482

Although claims are estimated at $669,000 for 1981 and $669,000 for 1982, the actual amount incurred for future claims under the program will, of course, depend on riot or civil disorder occurrences which remain actuarially unpredictable.

c. Changes from Original FY 1981 Estimates

	ACTUAL 1980	BUDGET ESTIMATE 1981	CURRENT ESTIMATE 1981	ESTIMATE 1982	INCREASE + DECREASE - 1982 vs 1981
Premium income.....	859	1,170	783	783	...
Investment income.....	3,586	3,040	1,600	...	-$1,600
Reinsurance claims.....	833	835	669	669	...
Studies and surveys.....	...	...	600	100	-500
Administrative expenses...	121	123	130	130	...

The decrease in premiums earned is a result of reinsurance coverage being terminated in ten jurisdictions.

The decrease in investment income is a result of a smaller fund balance than originally projected due to larger outlays in the crime program which is also funded from the National Insurance Development Fund.

Reinsurance claims are projected to decrease as a result of fewer jurisdictions with reinsurance coverage available.

The increase in studies and surveys results from costs incurred from a study of insurance availability which was begun during FY 1980.

The increase in administrative expenses results from a payraise which became effective in October 1980.

National Insurance Development Fund Income and Reserves. The Fund balance from premiums and earnings, less payments for claims, administration, studies and surveys, was nearly $21 million as of September 30, 1980. This surplus is expected to become a deficit of approximately $6 million by September 30, 1981. For 1982, claims payments and expenses are expected to exceed premiums received and income earned by about $29.2 million--a net operating loss from the Riot Reinsurance program of approximately $0.4 million, and a net loss of approximately $28.8 million in the Crime Insurance program.

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The Fund was established from proceeds from the operation of the Riot Reinsurance program. It has also been used as the vehicle for the initial funding of the Crime Insurance program, and it receives deposits from crime insurance premiums and other receipts. Separate accounts are maintained for each program within the Fund. Temporary funding provided for the Crime Insurance program from the Riot Reinsurance Fund is expected to be reimbursed to that program. The status of the National Insurance Development Fund is projected as follows:

	ACTUAL 1980	BUDGET ESTIMATE FY 1981	CURRENT ESTIMATE 1981	ESTIMATE 1982
		(Dollars in Thousands)		
Unobligated fund balance start of year	$326,597	$304,651	$270,952	$243,687
Riot Reinsurance Program				
Reinsurance premiums earned	859	1,170	783	783
Investment income	3,586	3,040	1,600	...
Reinsurance claims	-833	-835	-669	-669
Studies and surveys	...	...	-600	-100
Administrative expenses	-121	-123	-130	-130
Interest expense	...	...	...	-300
Subtotal, Riot Reinsurance	$ 3,491	$3,252	$ 984	$-416
Crime Insurance Program				
Insurance premiums earned	13,945	15,785	17,533	20,442
Insurance claims	-43,414	-23,598	-38,452	-41,261
Operating expenses	-7,498	-5,886	-7,200	-7,840
Studies and surveys	...	-100	...	...
Administrative expenses	-122	-123	-130	-130
Subtotal, Crime Insurance	-37,089	-13,922	-28,249	-28,789
Adjustment to Prior Year Costs	-18,767	...	...	...
Change in selected resources (undelivered orders)	-3,280	...	...	...
Unobligated fund balance, end of year	270,952	293,981	...	...
Borrowing Authority	250,000	250,000	243,687	214,482
Fund reserve	20,952	43,981	...	...

d. FY 1982 Activity

FIA will review the performance of the State FAIR Plans, promote the development by the States of FAIR Plan depopulation programs and will work with State regulators and insurance industry groups on methods for reducing the incidence of arson in the FAIR Plans.

In FY 1981, FIA will begin borrowing against the $250 million authority. A deficit of $35.5 million is projected at the end of FY 1982 with $300 thousand being paid in interest.

2. Federal Crime Insurance Program

a. Authority. The President's National Advisory Panel on Insurance in Riot-Affected Areas, in its January 1968 report entitled "Meeting the Insurance Crisis of Our Cities", pointed out that one important factor in the deterioration of inner-city areas was the unavailability of basic insurance coverages, including insurance against burglary and robbery. A study of the availability of crime insurance, conducted by the Federal Insurance Administration in 1970, concluded that there was a critical problem of availability of insurance in many areas. The Federal Crime Insurance Program, as authorized, became effective in August 1971. Title VI of the Housing and Urban Development Act of 1970 (P.L. 91-609), approved December 31, 1970, authorized a program of direct insurance through the facilities of the Federal Government for properties located in States where the private market or programs under State supervision either do not make crime insurance available or make it available only at prohibitive cost. This law is an amendment to the National Insurance Development Program (Title XII, National Housing Act) and utilizes the same funding mechanism as the Federal Riot Reinsurance Program. Legislative authorization to enter into new insurance contracts terminates on September 30, 1981. The budget estimates assume that legislation will be enacted to extend the program beyond this date.

b. Objective/Program Description

(1) Review of Insurance Availability. Continuing reviews are conducted to determine whether crime insurance is available at affordable rates either through the normal insurance market or through State action. Many states do not appear to have a crime insurance availability problem. A few states which do have serious availability problems have implemented programs of their own. In such states, the Federal Crime Insurance Program is generally not activated. In Michigan, for example, a separate program has been designed with funding being provided through State action from its general funds or through a special "loading" on all property insurance policies written in the State. New Jersey has also established a State program but since the Governor and the Insurance Commissioner requested that Federal crime insurance also be available because of a critical affordability problem in various parts of the State, the Federal program operates in the State along with the State-sponsored program.

Where practicable, surveys to determine whether crime insurance is available and affordable are conducted through existing organizations. State Insurance Commissioners, Governors, Mayors, Insurance Associations, representatives of business and consumer interest, and where necessary, educational institutions and nonprofit organizations are used to conduct these investigations. The source of funds for these studies is the National Insurance Development Fund.

In 1974, the Federal Insurance Administration published its report on the availability problems of insurance generally. This report, "Full Insurance Availability", recommends a voluntary market approach to the handling of residual risks. In any State adopting such a program, if the plan covers crime insurance, the Administrator will give prompt consideration to terminating the availability of Federal Crime Insurance in favor of this preferable approach.

During 1975, Illinois, Massachusetts and Rhode Island made homeowners insurance, including crime insurance coverage, available through their FAIR Plans. FIA has directed letters to Federal crime insurance policyholders in those States suggesting that they "comparison shop" this broader, more comprehensive coverage, and also that they investigate insurance availability in the voluntary market.

FIA has participated on a task force with the National Committee on Property Insurance to improve the service of the FAIR Plans. It is trying to establish homeowner's programs in urban areas on a voluntary basis. As individual FAIR Plans provide homeowner's coverage which offers the same coverage available under the Federal Crime Insurance Program, FIA will phase out residential crime insurance in those states.

(2) Selling and Servicing Insurance. Crime insurance is a direct Federal program in which the Federal Government assumes the risk-bearing function. The insurance is available to businesses and residences in participating jurisdictions without regard to the actuarial risk, if protective devices have been installed. Revised regulations to liberalize the requirements for protective devices for commercial coverage are now in force. When these devices, which are required for crime insurance on residences and commercial burglary and combined coverage, but not for commercial robbery insurance, have been installed, insurance is made available at affordable rates. These premium rates are based on crime statistics compiled by the Federal Bureau of Investigation and vary with the geographic location. For commercial crime insurance the rates vary based on the type of business and amount of gross receipts together with the FBI statistics.

The program is carried out by a contractor who services the policies through regularly licensed property insurance agents and brokers or directly with policyholders. Since December 1976, all services have been provided by a single company which was selected competitively.

Program Activity

(1) Jurisdictions Covered. Based on a study during 1971 of crime insurance availability at affordable rates, it was determined that there was a critical problem in ten jurisdictions. Subsequently, additional jurisdictions have been determined to have availability/affordability problems and have been added to the program. The following table depicts the jurisdictions currently covered, the date of their entry into the program, and the policies currently in force:

CRIME INSURANCE POLICIES
BY STATE

(As of September 30, 1980)

STATE	DATE OF ENTRY	RESIDENTIAL	COMMERCIAL	TOTAL
Alabama	7/77	301	110	411
Arkansas	8/76	104	32	136
Colorado	9/75	96	109	205
Connecticut	8/71	349	132	481
Delaware	3/74	97	27	124
District of Columbia	8/71	166	285	451
Florida	2/74	4,148	1,040	5,188
Georgia	9/75	490	384	874
Illinois	8/71	1,254	777	2,031
Iowa	5/77	7	7	14
Kansas	4/73	465	72	537
Maryland	8/71	215	337	552
Massachusetts	8/71	2,503	1,009	3,512
Minnesota	8/76	44	14	58
Missouri	8/71	1,733	497	2,230
New Jersey	2/73	2,592	739	3,331
New Mexico	6/79	21	4	25
New York	8/71	43,474	11,232	54,706
North Carolina	4/78	467	41	508
Ohio	8/71	754	466	1,220
Pennsylvania	8/71	3,906	1,839	5,745
Rhode Island	8/71	301	106	407
Tennessee	8/72	264	459	723
Virginia	1/77	124	60	184
Washington	3/79	22	4	26
Wisconsin	3/79	25	13	38
Puerto Rico	6/78	1,283	726	2,009
Virgin Islands	10/78	11	9	20
TOTAL		65,216	20,530	85,746

(2) Funding. Both the Crime Insurance Program and the Riot Reinsurance Program are funded through the National Insurance Development Fund. To the extent that income in the Crime Insurance Program is not sufficient to meet losses and expenses, operating balances accumulated from Riot Reinsurance operations are temporarily used to cover the difference. The statute authorizes these losses to be reimbursed in future years either through premium income or appropriations. By the end of 1982, the operating deficit in the National Insurance Development Fund is expected to be $35.5 million. A detailed status of the fund is presented in the Riot Reinsurance section.

As a consequence of providing insurance at statutorily required "affordable" rates to risks normally shunned by the private insurance industry, losses and expenses in 1982 are estimated to exceed premium income by about $28.8 million. Premium income of $20.4 million and losses of about $41.3 million are projected. Operating expenses of $7.8 million to cover commissions, writing policies, maintaining accounts, conducting inspections, and settling claims are projected, as are administrative expenses of $0.1 million.

(3) Recent Activity. During FY 1980, the limits of coverage were substantially reduced for certain "luxury" items, such as jewelry and furs. This change became effective by publication in the Federal Register on June 23, 1980. During 1981, the rates charged for crime insurance will be increased. The largest portion of this increase will come from the types of businesses which have sustained the largest average losses during the past few years.

c. Changes from Original FY 1981 Estimates

	ACTUAL 1980	BUDGET ESTIMATE 1981	CURRENT ESTIMATE 1981	ESTIMATE 1982	INCREASE + DECREASE - 1982 vs 1981
			(Dollars in Thousands)		
Number of policies issued.	85,746	76,000	90,000	98,000	+8,000
Premiums income.....	13,945	15,785	17,533	20,442	+2,909
Insurance losses incurred.	43,414	23,598	38,452	41,261	+2,809
Operating expenses.....	7,498	5,886	7,200	7,840	+640
Studies and surveys.....	...	100	...	...	...
Administrative expenses....	122	123	130	130	...

The increase in estimated number of policies issued is based on a marked increase in activity during the past year.

The increase in premiums earned is the result of an increase in the average premium, as well as an increase in the number of policies.

The increase in insurance losses incurred is the result of an increase in the average amount per claim. While the claim frequency has declined, the total number of claims has increased based on the increase in policies.

The increase in operating expenses is also a reflection of an increased number of policies in force.

The increase in administrative expenses is a result of the additional funds required to implement the pay increase which became effective in October 1980.

d. FY 1982 Activity. In 1982 FIA will provide insurance for approximately 8,000 additional residences and businesses which are unable to obtain affordable coverage through the private market. Insurance in force will be increased by $67 million from $738 million to $805 million in FY 1982 under the Crime Insurance Program. FIA will continue to work with State regulators and insurance industry groups on methods for reducing crime in the States.

National Insurance Development Fund
Object Classes
(In thousands of dollars)

Direct Obligations

Code	Object Class	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	Budget Estimate FY 1982
	Personnel compensation:				
11.1	Permanent Positions	$ -	$ -	$ -	$ -
11.3	Positions other than permanent	-	-	-	-
11.5	Other personnel compensation	-	-	-	-
	Total personnel compensation	$ -	$ -	$ -	$ -
	Personnel benefits:				
12.1	Civilian	$ -	$ -	$ -	$ -
21.0	Travel and transportation of persons	-	-	-	-
21.1	Interagency motor pool	-	-	-	-
22.0	Transportation of things	-	-	-	-
23.1	Standard level user charge	-	-	-	-
23.2	Comm., utilities & other rent	-	-	-	-
24.0	Printing and reproduction	-	-	-	-
25.0	Other services	7,741	6,232	8,060	8,500
26.0	Supplies and materials	-	-	-	-
31.0	Equipment	-	-	-	-
32.0	Lands and structures	-	-	-	-
41.0	Grants, subsidies, and contributions	-	-	-	-
42.0	Insurance claims and indemnities	66,294	24,433	39,121	41,930
43.0	Interest and dividends	-	-	-	-
99.0	Total direct obligations	$ 74,035*	$ 30,665*	$ 47,181*	$ 50,430*

*Includes obligations against insurance premium income.

FEDERAL EMERGENCY MANAGEMENT AGENCY
CIVIL DEFENSE
(In thousands of dollars)

This summary represents only those portions of the Emergency Planning, Preparedness and Mobilization and the Hazard Mitigation and Disaster Assistance appropriations that relate to Civil Defense Programs as authorized by the Armed Services Committees.

Two of the Federal Emergency Management Agency's appropriations - the Emergency Planning, Preparedness and Mobilization (EPPM) and the Hazard Mitigation and Disaster Assistance (HMDA) - reflect a new budget structure in FY 1982.

The program activities of these two appropriations under the new budget structure are:

	FY 1981	FY 1982	Increase or Decrease FY 1982 vs FY 1981	Page No.
EMERGENCY PLANNING, PREPAREDNESS AND MOBILIZATION				
Federal Preparedness	$ 2,065	$ 2,905	$ + 840	
Resource Preparedness				
Continuity of Government				
Policy Development	2,065	2,905	+ 840	26
Communications and Warning Policy				
Tests and Exercises				
Program Coordination				
Mitigation and Research	6,794	6,513	- 281	
Natural Hazards Research				
National Security Research	6,794	6,513	- 281	48
Research Application				
Systems Analysis and Integration				
Technological Hazards Research				
Operations Support	12,311	11,550	- 761	
Management and Administration				
Communications and Warning	10,611	10,118	- 493	76
Disaster Response and Recovery				
Fire Prevention and Control				
Federal Insurance				
Mitigation and Research				
Federal Preparedness (Data Base)	1,332	970	- 362	90
State and Local Preparedness	388	462	+ 94	93
Training and Education				
State and Local Preparedness	76,208	93,921	+17,713	
Emergency Management Assistance	37,752	44,632	+ 6,880	104
Supporting Materials/Maintenance and Services	4,115	7,037	+ 2,922	106
Radiological Defense	8,148	11,049	+ 2,901	109
Nuclear Attack Civil Preparedness	15,237	19,027	+ 3,790	116
Mobilization Designees	2,355	0	- 2,355	124
Emergency Operating Centers	6,342	7,387	+ 1,045	125

Supporting Activities	$ 297	300	+ 3	130
Communication and Warning Policy	1,962	4,489	+ 2,527	133
Comprehensive Emergency Preparedness Planning				
Special Hazards Preparedness Planning				
Radiological Emergency Preparedness Management and Administration	a/	a/	0	
Training and Education	10,649	10,990	+ 341	
Instructional Programs and Materials	1,762	2,390	+ 628	151
Maintenance and Operations of FEMA Schools	3,500	3,000	- 500	154
Training Field Deployment Systems	5,020	5,200	+ 180	156
Training and Education Projects	367	400	+ 33	158
Emergency Information	1,347	b/	- 1,347	160
Reimbursable Program				
HAZARD MITIGATION AND DISASTER ASSISTANCE				
Federal Insurance				
Administration of Federal Insurance				
Flood Insurance Studies				
Purchase of Property				
Assistance to States				
Fire Prevention and Control				
Arson Prevention and Control				
Emergency First Response				
Firefighter Health and Safety				
Cost-Effective Fire Protection Management				
Academy Operations and Maintenance				
Residential Fire Safety				
Disaster Relief Administration				
Management and Administration	7,463 c/	6,963	- 500	218
Reimbursable Programs				
DISASTER RELIEF				
NATIONAL FLOOD INSURANCE FUND				
NATIONAL INSURANCE DEVELOPMENT FUND				
	$116,837	$132,842	$ +16,005	

a/ A non-add item reflected in Management and Administration in the Hazard Mitigation and Disaster Assistance appropriation in FY 1982.

b/ Included in State and Local Preparedness, Nuclear Attack Civil Preparedness and Warning and Communication Policy and in the Hazard Mitigation and Disaster Assistance, Management and Administration, in FY 1982.

c/ Funded in Emergency Planning, Preparedness and Mobilization appropriation in FY 1981 but shown here for comparability.

03-11-81

FEDERAL EMERGENCY MANAGEMENT AGENCY
Crosswalk of
Emergency Planning, Preparedness and Mobilization
President Reagan's Budget

FY 1980/81 Budget Structure	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	FY 1982 Budget Structure
Financial Assistance to States	$ 39,034	$ 39,034	$ 39,034	
State and Local Management	37,100	37,100	37,100	to State and Local Preparedness, Emergency Management Assistance
State and Local Mtn & Svcs	1,934	1,934	1,934	to State and Local Preparedness, Supporting Materials, Maintenance & Svcs
Plans and Preparedness				
Radiological Defense	4,115	7,542	7,542	
Equipment Engineering	198	725	725	to State and Local Preparedness, Radiological Defense
Equipment Procurement	149	2,125	2,125	to State and Local Preparedness, Radiological Defense
Equipment Logistical Support	245	245	245	to State and Local Preparedness, Radiological Defense
Mtn & Calibration of RADEF Equipment	3,000	3,000	3,000	to State and Local Preparedness, Radiological Defense
Fallout Forecasting	11	10	10	to State and Local Preparedness, Radiological Defense
State Radiological Defense Officers	0	880	880	to State and Local Preparedness, Radiological Defense
Operational Guidance	0	0	0	
Program Staff	512	557	557	to State and Local Preparedness, Radiological Defense (in Program Staff figure of $1,163)
State and Local Civil Protection and Planning Assistance	$ 27,711	$ 42,542	$ 43,472	
Nuclear Civil Protection	5,039	7,110	6,693	to State and Local Preparedness, Nuclear Attack Civil Preparedness (adjusted for PL96-526 reduction)
National Shelter Survey	2,239	2,687	2,687	to State and Local Preparedness, Nuclear Attack Civil Preparedness
Shelter Marking	0	100	100	to State and Local Preparedness, Nuclear Attack Civil Preparedness
Shelter Stocks	0	100	100	to State and Local Preparedness, Nuclear Attack Civil Preparedness
Packaged Ventilation Kits	0	100	100	to State and Local Preparedness, Nuclear Attack Civil Preparedness
Crisis Upgrade Planning	0	325	325	to State and Local Preparedness, Nuclear Attack Civil Preparedness
Mobilization Designee Program	0	2,355	2,355	to State and Local Preparedness, Mobilization Designees
Emergency Operating Centers	0	5,500	5,500	to State and Local Preparedness, Emergency Operating Centers

FY 1980/81 Budget Structure	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	FY 1982 Budget Structure
Red Cross Advisors	$ 270	$ 270	$ 270	to State and Local Preparedness, Supporting Activities
State & Local Direction and Control	0	1,900	1,900	to State and Local Preparedness, Supporting Materials, Maintenance & Svcs
Program Staff	18,573	22,095	21,700	
			652	to State and Local Preparedness, Emergency Management Assistance
			281	to State and Local Preparedness, Supporting Materials, Maintenance & Svcs
			606	to State and Local Preparedness, Radiological Defense (Included in figure of $1,163)
			5,232	to State and Local Preparedness, Nuclear Attack Civil Preparedness (Included in figure of $5,232)
			842	to State and Local Preparedness, Emergency Operating Centers
			27	to State and Local Preparedness, Supporting Activities
			841	to State and Local Preparedness, Communications and Warning Policy
			668	to State and Local Preparedness, Comprehensive Emergency Preparedness Planning
			547	to State and Local Preparedness, Special Hazards Preparedness Planning
			9,321	to State and Local Preparedness, Management and Administration
			1,332	to Operations Support, Federal Preparedness
			368	to Operations Support, State and Local Preparedness
			983	to Training and Education, Training Field Deployment Systems
Radiological Emergency Preparedness	1,590 a/	0	1,742 b/	to State and Local Preparedness, Radiological Emergency Preparedness
National Security Affairs	22,099	22,838	22,537	
Resource Preparedness	1,937	2,280	2,351	to Federal Preparedness, Resource Preparedness
Government Preparedness	686	1,500	1,516	to Federal Preparedness, Continuity of Government (Included in figure of $1,726)
Special Facility	6,792	7,603	7,669	to Operations Support, Federal Preparedness
Program Coordination	1,844	1,806	1,753	
			210	to Federal Preparedness, Continuity of Government (Included in figure of $1,691)
			315	to Federal Preparedness, Communications and Warning Policy
			461	to Federal Preparedness, Tests and Exercises
			767	to Federal Preparedness, Program Coordination

a/ From FY 1980 REP supplemental.
b/ From NRC transfer of funds by Determination Order.

FY 1980/81 Budget Structure	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	FY 1982 Budget Structure
Operations Support	9,291	9,291	9,248	
			300	to Operations Support, Management and Administration
			8,308	to Operations Support, Communications and Warning (Included in figure of $9,455)
			50	to Operations Support, Disaster Response and Recovery
			60	to Operations Support, Fire Prevention and Control
			397	to Operations Support, Federal Insurance
			70	to Operations Support, Mitigation and Research
			63	to Operations Support, Training and Education
State and Local Preparedness	0	80	100	to Federal Preparedness, Resource Preparedness
Research and Systems Development	7,944	11,242	11,110	
Research and Mitigation	5,235	7,644	7,493	
			374	to Mitigation and Research, Natural Hazards Research
			6,366	to Mitigation and Research, National Security Research
			358	to Mitigation and Research, Research Applications
			159	to Mitigation and Research, Systems Analysis and Integration
			236	to Mitigation and Research, Technological Hazards Reduction
Systems Development	1,519	2,110	2,065	to Federal Preparedness, Policy Development
Program Staff	1,190	1,488	1,552	
			678	to Mitigation and Research, Natural Hazards Research
			428	to Mitigation and Research, National Security Research
			222	to Mitigation and Research, Research Applications
			42	to Mitigation and Research, Systems Analysis and Integration
			182	to Mitigation and Research, Technological Hazards Reduction

FY 1980/81 Budget Structure	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	FY 1982 Budget Structure
Warning and Communications	$ 21,703	$ 25,933	$ 25,818	
National, State and Local	8,640	11,749	11,634	
National Warning System	1,801	2,077	2,077	to Operations Support, Communications and Warning
Washington Warning System	375	375	375	to Operations Support, Communications and Warning
CD National Communication System	914	914	914	to Operations Support, Communications and Warning
CD National Radio System	774	924	924	to Operations Support, Communications and Warning
Other Communication Services	559	554	554	to Operations Support, Communications and Warning
Communication Management Support	95	95	95	to Operations Support, Communications and Warning
Decision Information Distribution	107	577	577	to Operations Support, Communications and Warning
State and Local Direction and Control	737	737	602	to Operations Support, Communications and Warning
Broadcost Station Protection Planning	265	1,121	1,121	to State and Local Preparedness, Communications and Warning Policy
U.S. Army Support Detachment	0	557	577	to Operations Support, Communications and Warning
Staff Expenses	3,013	3,247	3,247	to Operations Support, Communications and Warning (Included in figure of $9,455)
Purchase of Antenna Field	0	571	571	to Operations Support, Communications and Warning
Federal Level Communications	13,063	14,184	14,184	to Operations Support, Communications and Warning
Information and Education				
Education	7,158	9,651	10,508	
Instructional Programs and Materials		1,000	1,000	to Training and Education, Instructional Programs and Materials
Maintenance and Operation of FEMA Schools		3,500	3,496 c/	to Training and Education, Maintenance and Operation of FEMA Schools

c/ Includes $346,000 from NRC transfer of funds under Determination Order.

FY 1980/81 Budget Structure	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	FY 1982 Budget Structure
Instuructional Materials, Reproduction and Delivery	$	$ 600	$ 600	to Training and Education, Instructional Programs and Materials
Field Deployment		3,150	3,977 d/	to Training and Education, Training Field Deployment Systems
Private and Professional Training Projects		216	216	to Training and Education, Training and Education Projects
Program Staff		1,185	1,219 e/	
			162	to Training and Education, Instructional Programs and Materials
			798	to Training and Education, Maintenance and Operation of FEMA Schools
			108	to Training and Education, Training Field Deployment Systems
			151	to Training and Education, Training and Education Projects
Emergency Information	1,774	1,339	1,347	
Information	760	600	600	to Management and Administration, Public Affairs
Program Staff	904	739	747	to Management and Administration, Public Affairs
Radiological Emergency Preparedness	110 f/	0	0	

d/ Includes $477,000 from NRC transfer of funds under Determination Order
e/ Includes $54,000 from NRC transfer of funds for personnel and associated expenses.
f/ FY 1980 REP supplemental.

FEDERAL EMERGENCY MANAGEMENT AGENCY
Crosswalk of
Hazard Mitigation and Disaster Assistance
President Reagan's Budget

FY 1980/81 Budget Structure	Actual FY 1980	Budget Estimate FY 1981	Current Estimate FY 1981	FY 1982 Budget Structure
Insurance and Hazard Mitigation	$ 9,778	$ 11,579	$10,234	
			9,248	to Federal Insurance, Administration of Federal Insurance
			987	to Management and Administration, Finance and Administration
Fire Prevention and Control	12,381	13,081	13,073	
			917	to Fire Prevention and Control, Arson Prevention and Control
			106	to Fire Prevention and Control, Emergency First Response
			1,258	to Fire Prevention and Control, Firefighter Health and Safety
			8,123	to Fire Prevention and Control, Cost Effective Fire Protection Management
			0	to Fire Prevention and Control, Academy Operations and Maintenance
			2,015	to Fire Prevention and Control, Residential Fire Safety
			654	to Management and Administration, Finance and Administration
Facilities, Fire Academy	11,535	8,808	8,766	
			414	to Fire Prevention and Control, Arson Prevention and Control
			833	to Fire Prevention and Control, Emergency First Response
			414	to Fire Prevention and Control, Firefighter Health and Safety
			2,779	to Fire Prevention and Control, Cost Effective Fire Protection Management
			3,219	to Fire Prevention and Control, Academy Operations and Maintenance
			1,107	to Fire Prevention and Control, Residential Fire Safety
Disaster Relief Administration	7,826	8,686	8,755	
			6,302	to Disaster Relief Administration
			2,453	to Management and Administration, Finance and Administration
Flood Studies and Surveys	68,360	61,591	58,185	
			47,786	to Federal Insurance, Flood Insurance Studies
			5,400	to Federal Insurance, Purchase of Property
			4,999	to Federal Insurance, Assistance to States
Executive Direction	11,556	10,956	10,844	to Management and Administration, Finance and Administration (Included in figure of $14,750)

03-17-81

THURSDAY, MARCH 19, 1981.

NEIGHBORHOOD REINVESTMENT CORPORATION

WITNESSES

WILLIAM A. WHITESIDE, EXECUTIVE DIRECTOR
JAMES A. McNEIRNEY, DEPUTY EXECUTIVE DIRECTOR
DONNIE L. BRYANT, SECRETARY/TREASURER; DIRECTOR, FINANCE AND ADMINISTRATION
MEG S. ARMSTRONG, DIRECTOR, NEIGHBORHOOD PRESERVATION PROJECTS
GEORGE KNIGHT, DIRECTOR, PROGRAM DEVELOPMENT
CAROL J. McCABE, GENERAL COUNSEL

	1980 actual	1981 estimate	1982 request	Difference
Appropriation	$12,000,000	$12,459,000	$14,950,000	+$2,491,000
Total corporate obligations	14,750,000	15,288,000	17,574,000	+2,306,000
Permanent positions	189	201	216	+15
Total compensable workyears	213	225	240	+15

Mr. TRAXLER [presiding]. We want to welcome the officers and staff of the Neighborhood Reinvestment Corporation. Your 1980 actual appropriation was $12 million, your 1981 estimate is $12,459,000, and your 1982 request is $14,950,000, for an increase of $2,491,000.

Your permanent positions are 189 in 1980, 201 in 1981, and a requested 216 in 1982, for an increase of 15.

I believe, Bill, that you have a statement that you want to present to us at this time?

Mr. WHITESIDE. Yes, Mr. Chairman.

Mr. TRAXLER. We will submit that for the record.

I'm sure we would be pleased, if you wish to summarize it—you probably would have a lot more friends.

Mr. WHITESIDE. I will just highlight a few issues.

First, I would like to introduce the officers of the Neighborhood Reinvestment Corporation who are here with me.

On your far right is Carol McCabe, our General Counsel; next to her is Jim McNeirney, our Deputy Executive Director; on the far left is Meg Armstrong, Director of our Office of Neighborhood Preservation Projects; George Knight, Director of Program Development; and Donnie Bryant, Director of Administration and Finance.

Mr. TRAXLER. I am sure you have all met Congressman Green who is a new addition to the Committee this year. We know he will be a good friend of the Corporation. Please proceed.

Mr. WHITESIDE. I would just like to highlight points in the submitted testimony on NHS as a lasting institution, affordable hous-

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ing, the economic climate, the needs of local NHS programs for fund-raising and Neighborhood Reinvestment's travel.

NEIGHBORHOOD HOUSING SERVICES—A LASTING LOCAL INSTITUTION

We started this out as a pilot program to involve lending institutions and residents and city government in turning neighborhoods around without giving a lot of thought to what might happen institutionally in a given city.

We had confidence that it was a solid program and worth doing, but as we look now at the large number of programs that are three years old and older, we see an institutionalization of a very important local tool in NHS. They are showing that they can finish up work in a neighborhood in about five and a half years.

We now have six neighborhoods that are essentially completed, having achieved their initial goals.

This is an average NHS neighborhood of about 2,500 units, with average resources and an average level of difficulty, but they are not closing up shop at that point. They are being invited to take on additional neighborhoods and to take on additional challenges that the basic NHS program hasn't had to deal with before.

These challenges include expansion to additional neighborhoods and expansion into additional, more sophisticated tools to use with problems that the basic NHS has not dealt with.

EXPLANATION OF NHS GROWTH IN A COMMUNITY OVER A FIFTEEN-YEAR PERIOD

If you will turn to the chart on page nine in the testimony I have submitted, I would like to run through that with you in some detail.

Along the bottom of the chart is a scale of years, 15 years, and we have tried to show how an NHS might evolve over a period of 15 years. Starting at the left, that very small element is one year long, and this represents our developmental activity in bringing an NHS into existence.

LEVERAGE IMPACT OF NHS

The volume of it is designed to represent the amount of expenditures that we make on an NHS program, which is about $145,000 for the one-year developmental effort, which includes a $50,000 grant, plus five and a half years of technical assistance, training, secondary market resources, etc., which average in cost about $28,500 per year.

So our total investment through appropriated funds is about $300,000.

The block following that, labeled "basic neighborhood housing services," represents the five and a half year life of an average NHS. The volume of it represents the amount of reinvestment that takes place in the neighborhood, which is about $10 million.

The proportions of the volume of our developmental and support effort to that I think is important, because our activity represents about three percent of the impact on the neighborhood, ten million for three hundred thousand dollars.

GEOGRAPHIC EXPANSION OF NHS

After about three and a half years, NHS will typically ask us to help them expand to another neighborhood. So we show in the next series of figures an additional period of development activity as we help bring the NHS into the second neighborhood with the same sense of resident involvement and ownership that they had in the first neighborhood.

Again a period follows here of five and a half years of active activity.

If you look way off to the 15 year end of the scale, you will notice some thin strips there, labeled "residual availability of services." They represent the continued presence of NHS in the early neighborhoods for an indefinite period of time with a very low level of activity, but the availability, to elderly homeowners for instance, the availability of counseling, of revolving loan fund loans, of referrals to participating institutions.

We see this as a very low level of cost to the NHS, but a way of keeping the neighborhood up to par once it has been improved rather than walking away from it and letting it go into a tailspin again.

We see that there is little or no cost to us of this continued availability of NHS services. Our support services would be available to the neighborhood where the more intense operation is going on.

As I reach out in the next two blocks into the period approaching ten years, we are predicting what it might look like in the future. We have not been there yet.

Some of the NHSs are talking about expanding to two neighborhoods at a time so they don't have to go through the effort of the developmental process twice.

This also would represent an economy to us, so I expect in some of the larger cities we will be doing expansions to two neighborhoods at once.

PROGRAMMATIC EXPANSION

Then we show a second expansion of this kind at about year 12. Now, the added components which you see layered on top are the programmatic expansions that I spoke of. In one neighborhood, you might have a large number of tenants, and you might bring in a Home Ownership Promotion program to turn tenants into homeowners.

You might have a large number of vacant buildings that need marketing to deal with those problem properties on a block. That is also part of the home ownership program.

I have shown an added component over three other neighborhoods where you might have a problem with vacant properties that are in such bad condition that there is no way to bring an owner-occupant in directly to rehabilitate them.

You might need the Rehabilitation and Sale program to buy those properties, rehabilitate them, and sell them at a written down price, at the market level of the neighborhood.

There are a number of variations that could be done on this chart to show what could happen to an NHS. One would be the apartment improvement program which involves the basic NHS

partnership, but adds building owners and managers and tenants groups to the partnership.

This would be an over-arching kind of block which might involve several NHS neighborhoods and other neighborhoods in a city.

This analysis has helped us visualize the need for the NHS to develop a strong organizational base, to have continuity, to serve additional neighborhoods, particularly in the larger cities, and it has also focused attention on the question of where the money comes from for the additional programmatic tools and the additional neighborhoods that need to be served.

I will come back to that in a moment.

INCREASED RENTAL RESOURCES

I would like to touch on two pilot projects we have going on, that deal with affordable housing. The terrible squeeze we are in in terms of rental units has caused us to search about for ways to deal with this, and with the encouragement of Congressman Jonathan Bingham of New York, we have undertaken a demonstration of the Mutual Housing Association concept which will be the first time in this country that there has been a careful evaluation of the European model and an active effort to bring this model into this country.

It amounts to a kind of tenure between home ownership and rental, where association members will make a capital contribution to the association, will participate in its governance, and will rent units from the association.

It has been a very effective tool in Western Europe for dealing with rental housing needs over the years.

We are hopeful that we can turn it into an important tool here.

It requires a subsidy, if we are to serve the part of the population below the median and, of course, increasing subsidies as you get into lower income groups.

What we are experimenting with is, with the help of foundations and other corporate resources to do our demonstration without Federal assistance; to try to devise an economical and practical way to operate these entities, and come back to Congress with a recommendation of how it could be expanded.

A very important part of the West German model—and this is true in other parts of Europe—is that they have a national organization which provides technical assistance, which does auditing, which monitors the programs in much the same way that we monitor and assist NHSs, guaranteeing they will operate competently and serve the public interest.

AFFORDABLE HOUSING

The other pilot program is one we call owner-built housing, which is modeled after the rural self-help project. The NHS has streamlined the rural program and, in our operating model in Oakland, California, is assisting groups of families to build their own homes where the NHS assembles the lots, and takes title to them, makes arrangements for the construction financing, purchases materials, counsels the would-be homeowners, the families

who are building their own homes, and arranges for take-out financing at the end.

Fourteen families have managed to bring their homes to near completion now in Oakland. They will take on a mortgage of $45,000 at the conclusion of their year's effort. Similar homes would sell in Oakland for $85,000, and it seems to be a very valuable model. We are trying a second replication of it, also in California, for reasons of economy, and we believe we will have a model that will be valuable to NHS neighborhoods, and to other neighborhoods, of a way, through the use of directed and assisted labor of families who want homes, that you can do two things: Provide them homes that they couldn't otherwise get and, second, deal with vacant lots that might be blighting a neighborhood.

IMPACT OF THE CURRENT ECONOMIC CLIMATE

In regard to the current economic climate, as costs have escalated in rehabilitating homes, the local NHS programs have found their revolving loan funds strained. You cannot make as many loans with them, and our secondary market, operated by Neighborhood Housing Services of America, is also under pressure as a result of this. The pressure is increased by the impact of high interest rates, in that many homeowners in a neighborhood who would otherwise be bankable, at eight, nine or ten percent, are not bankable at today's interest rate levels, which increases the load on the revolving loan fund. We feel a need to help NHSs deal with this.

There is another concern we have that hopefully is a short-term one, that is the problem that the thrift institutions are in at this point.

About 700 savings and loans are supporting NHS's operating budgets around the country through charitable contributions. They are—considering the savings and loans size—in many cases making substantial contributions. Whether they will be able to contribute at that level in the current economic climate is something that we are very concerned about, and we see the need for some help in that area.

Finally, with the proposed reduction in Federal assistance to neighborhood programs, and greater competition for the community development dollar, that resource is going to be a lessening resource.

To deal with these concerns, we are encouraging each local neighborhood housing services program to broaden its base of funding, to go after the broad business community, and after local industry. Working through the leadership of Neighborhood Housing Services of America we are providing technical assistance to the NHSs, providing training for our own staff and for Neighborhood Housing Services of America staff, and investigating the possibility of a national fund-raising campaign in the corporate community, the Fortune 1300 firms who by and large have not been asked to support NHS in the past. To deal with the current economic climate, and to deal with the expansion needs, both programmatic and geographical, we feel is very timely to explore this potential resource now.

I would just like to touch on one aspect of our appropriation request before you begin asking questions about it. That deals with travel.

Like everyone, we have been very much affected by the rapid escalation of travel costs. We were able to live within our travel ceiling in 1980. We will be able to live within it in 1981, but under considerable constraints. Our staff operates almost totally in the field. Our Washington operation is minor compared to our field operation. We have added field offices to try and limit the distances the staff has to travel, but basically their work is out there.

Currently we have 34 new NHS programs in development and 13 programs being expanded. This is 47 communities in which we have staff operating every day. We are providing technical assistance to 126 NHS programs and we are required to monitor them, visiting about 75 percent of the 126 on annual monitoring visits.

Our staff operates more like bank examiners than analysts or administrators, and we would like you to take that into consideration as you look at our travel request.

With that, I would be pleased to answer your questions on the submitted testimony and on our budget justification. I have the help of some very talented members of our organization to answer any questions that you might have.

[The statement follows:]

Mr. Chairman and Members of the Committee. It is a privilege to appear before you today to testify on the Fiscal Year 1982 appropriation request of the Neighborhood Reinvestment Corporation. In my remarks, I shall cover the following areas:

Introduction
Neighborhood Housing Services Status
Tools for Neighborhood Needs
Neighborhood Housing Services as a Lasting Local Institution
Impact of the Current Economic Climate
Fiscal Year 1982 Appropriation Request

Supplemental materials are included in the Appendix attached to my printed testimony.

INTRODUCTION

As we enter the third year of operation of the Neighborhood Reinvestment Corporation, we are pleased with the way the Corporation is carrying out the intent of Congress. Established in the Neighborhood Reinvestment Corporation Act as a public corporation -- which was not to be considered a department, agency or instrumentality of the Federal government, and whose officers and employees are not to be considered officers or employees of the United States -- Congress directed the Corporation to operate in a flexible and non-bureaucratic manner. The Administration has respected this special status and we have found the structure well suited to carrying out our special task.

Against the backdrop of very challenging times and a significant reduction in the level of Federal assistance provided to neighborhoods, we are grateful to have been singled out by the Administration for a modest increase in our Federal funding.

NEIGHBORHOOD HOUSING SERVICES STATUS

Neighborhood Housing Services programs are now serving 126 neighborhoods in 99 cities and one unincorporated area. We are in the process of developing new NHS programs in 34 neighborhoods and assisting established NHS programs with expansion into 14 new neighborhoods. NHS programs are operating or in development in 42 states and the District of Columbia. (For a more complete description of NHS programs, see Attachment A.)

NHS programs operate in most of the large cities. Of 57 cities over 250,000 population, 42 have NHS programs. New York City's Jamaica, Queens NHS is soon to be joined by six more neighborhood programs in the boroughs of the Bronx, Brooklyn and Staten Island. At the other end of the scale, among a growing number of small cities served, NHS constitutes the main neighborhood revitalization and housing rehabilitation activity in a dozen cities under 30,000 population. The incomes in neighborhoods served average 83% of city-wide median incomes. One-fifth of the neighborhoods have populations 85% or more minority. One-fifth of the neighborhoods have populations 15% or less minority and the other three-fifths of NHS neighborhoods have populations which are between 15% and 85% minority. The neighborhoods served range from neighborhoods as small as 750 dwelling units to neighborhoods as large as 9,500 dwelling units. The median neighborhood size is 2,500 units. Populations are as small as 2,000 and as large as 26,000. 850,000 people live in NHS neighborhoods. (NHS demographic information is available in Attachment B.)

Projections based on early reports of the HUD evaluation of NHS programs as well as our own impact evaluation indicates that a typical NHS program with average program difficulty and average program resources produces $10 million

in reinvestment in its neighborhood (including private lending, direct reinvestment by homeowners, NHS services and lending, and enhancement of public service levels, public amenities and capital improvements by local government). As of this date, we estimate the cumulative reinvestment which has taken place in NHS neighborhoods to be $678,000,000. (A listing of the estimated leveraging impact of NHS programs is included in Attachment C.)

TOOLS FOR NEIGHBORHOOD NEEDS

The Neighborhood Reinvestment Corporation's work includes an activity called Neighborhood Preservation Projects. This includes: 1) the identification and monitoring of promising local efforts which are successfully dealing with neighborhood problems beyond the scope of the basic NHS program; 2) testing of these new tools in additional locations; and, 3) making the new programmatic components available to NHS neighborhoods which require them in order to successfully revitalize their neighborhoods.

These new tools enable NHSs to deal with the ever-tightening rental market, more distressed neighborhoods, neighborhoods with higher proportions of renters and apartment buildings, more blighted buildings, scattered vacant lots, blighted commercial areas, etc. They include:

Program Components Available for Broader Replication

Apartment Improvement Program (AIP) -- A partnership of city, lenders, landlords, tenants and neighborhood organizations participate in a sophisticated technical program to upgrade large apartment buildings.

Home Ownership Promotion(HOP) -- Sale and financing of absentee-owned and vacant properties to long-term tenants in the NHS neighborhood.

Rehabilitation and Sale Program -- Properties which cannot be rehabilitated privately are purchased, rehabilitated and resold by the NHS.

Urban Lender Program -- Loan underwriters and appraisers are trained to operate successfully in the urban marketplace.

Home Maintenance Training -- Hands-on home repair courses for residents.

HUD Area Management Broker -- Special services for NHS neighborhoods impacted by large numbers of vacant HUD-owned properties.

Owner-Built Housing Program -- Moderate income families build their own homes with NHS technical assistance.

Energy Conservation Program -- Energy conservation audit and improvement procedures added to NHS's rehabilitation services.

Neighborhood Commercial Revitalization -- Partnership approach to physical and economic revitalization and long-term management of neighborhood commercial areas.

Insurance Full Partnership -- Property/casualty insurance industry joins NHS partnership and deals with insurance needs in neighborhood.

Program Components Being Evaluated for Future Replication

Small Apartment Building Management -- Professional management services for small apartment buildings.

Crime Prevention -- The NHS organizes homeowners block-by-block to reduce crime and the fear of crime.

Urban Landscaping -- The NHS assists homeowners in developing design standards and financing for landscaping improvements.

Citizen Leadership Development -- Neighborhood residents are trained in communication and citizenship skills.

Neighborhood Rental Services -- The NHS acquires, rehabilitates and manages problem rental properties.

Neighborhood School-Community Identity Project -- High school students learn communication skills and become involved in their community through production of neighborhood-focused cable television programming.

Neighborhood New Construction -- Single-family homes are built on scattered vacant lots in NHS neighborhoods and sold at neighborhood real estate market price level.

Mutual Housing Associations -- Low to middle income families invest savings in associations which develop and operate apartments, renting them to association members.

Six of these components are currently being replicated in 14 locations but funding has only permitted the Corporation to scratch the surface in this aspect of its work, with only five of these tools currently operational in 24 cities. We estimate that the average NHS program will need 2.3 of the programmatic components to fully address its neighborhood's problems. (A complete description of Neighborhood Preservation Projects and Neighborhood Preservation Developments can be found as Attachment D.)

Secondary Market

Another component added to the basic NHS on a national scale is a secondary market for NHS revolving loan funds, launched through Neighborhood Housing Services of America (NHSA) in 1974.

Established as a private, nonprofit, state chartered, tax exempt corporation, NHSA was created to give added private sector strength to the NHS programs, and through a secondary market give the NHS programs access to the private investor market as a resource for replenishing their loan funds.

NHS loans are, by definition, "unbankable" and require terms more liberal than the private investor market accepts. NHSA met the liquidity needs of the NHS

programs by purchasing NHS loans through a loan purchase pool funded by Neighborhood Reinvestment grants until 1978.

In late 1978, in a significant step in NHSA's efforts to create a secondary market for NHS revolving loan funds, the Equitable Life Assurance Society of the United States agreed to purchase from NHSA $1 million in notes backed by the pool of NHS revolving loan fund loans. In 1980, a further $2 million security sale was approved by Equitable.

This mechanism makes it possible for NHSA, within the limits of its resources, to replenish the loan funds of NHS programs across the country. By the end of 1980, with limited funding, NHSA had purchased loan packages totaling $2,890,742 from 27 NHS programs. The adequacy of this secondary market resource backs up the momentum of local NHS programs -- which is closely tied to the liquidity of their revolving loan funds -- with both homeowner and lender confidence dependent upon progress with problem properties on each block in the neighborhood.

NHS AS A LASTING INSTITUTION

In the basic NHS program, each neighborhood is being helped towards a strengthened economic and social fabric. The help includes targeted public services and capital improvements, financial and rehabiliation counseling, loan referrals and loans at flexible rates and terms for unbankable homeowners.

Everyone's property values are enhanced as owners are encouraged to upgrade their properties:

-- Directly by NHS staff
-- By city housing inspectors
-- And by the growing awareness that the neighborhood is once again becoming a place you can invest in.

This is the basic NHS building block. Now I want to tell you about what is happening in a large number of NHS programs three years old or older. First,

all those in the partnership see themselves as part of a lasting institution and they are viewed as such by other neighborhoods and the public at large.

Second, they are expanding, and in doing so, seeking out every possible financial resource -- city, state, Federal, corporate and philanthropic.

Expansion takes several forms. Almost all programs have undertaken some programmatic expansions on the basic model, such as paint programs, tool lending programs, gardening and landscaping projects, historic preservation counseling, etc. Others have gone into more substantial and sophisticated activities, such as land banking, home maintenance training, prepaid maintenance services, direct rehabilitation and sale of vacant buildings, new construction, and ownership of rental properties.

Then there are the components we help the NHSs bring to the neighborhood, such as the Home Ownership Promotion program, the Rehabilitation and Sale program, the Insurance Industry Full Partnership, and "sister programs" which work with the NHS but involve broader partnerships, such as the Apartment Improvement Program and the Neighborhood Commercial Revitalization program currently being developed.

In addition to this programmatic expansion, NHS programs are getting into geographical expansion -- expansion into additional neighborhoods -- in a major way. Over one-quarter of our development activity is now responding to NHS requests for help in expanding to additional neighborhoods.

We have worked out a developmental process for this kind of expansion which enables residents of the new neighborhood to feel the same kind of "ownership" of the NHS that the original residents felt, and enables the existing partnership to work through all of the issues of new board and staff structures and financial resources in ways that don't compromise any group's self-interests. A total of 30 programs have expanded to serve additional neighborhoods or are in the process of doing so.

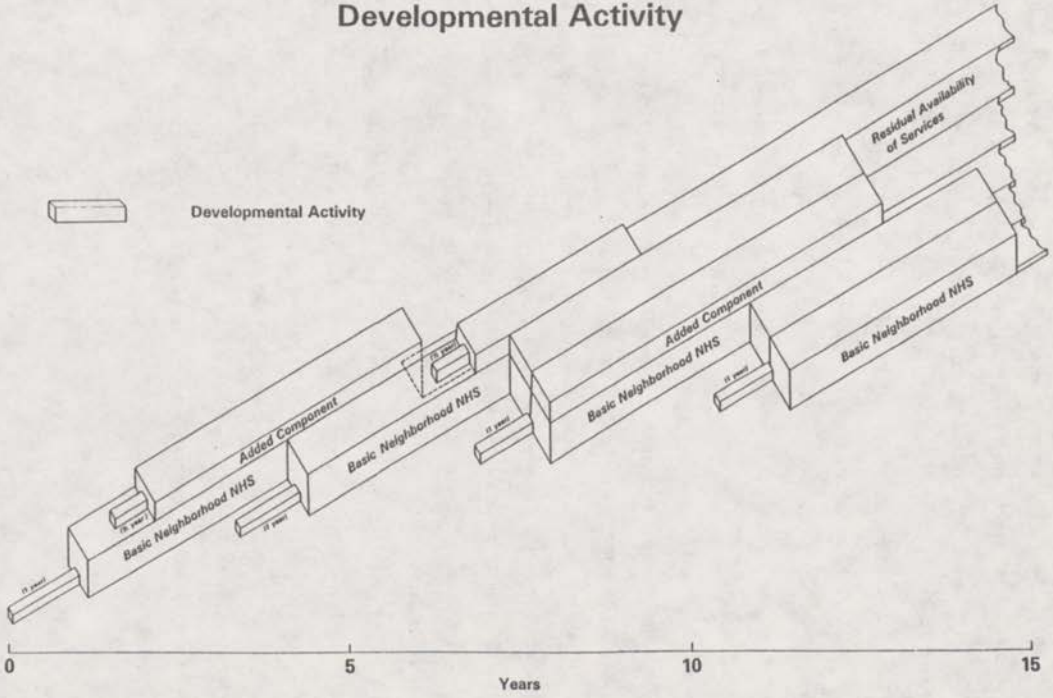
One frequently asked question is: "When will NHS be finished?" As my discussion of various kinds of expansion and the experience of the earliest 25 programs indicates, many have finished their first set of goals but decided to take on new ones. They have discovered that the needs are too great, the NHS mechanism is too valuable to close their doors. We are seeing that as the partnership's initial goals are completed in one neighborhood, that neighborhood is entering what we are calling the residual services or limited services stage. Six NHS neighborhoods are now in this residual services stage.

Allowing for variations in size, program difficulty, and resource availability, they took an average of 5-1/2 years to reach that stage.

Neighborhood residents have invested thousands of volunteer hours in NHS, and they will want to know that as their neighbors age and their houses age, some level of NHS services will remain available as well as access to the Revolving Loan Fund. Of course, the existing portfolio of NHS loans in the neighborhood to be serviced over the next dozen years or more, gives the NHS a financial interest in retaining strong ties with the neighborhood. Finally, as new tools are developed for problem areas which have had to be bypassed, the NHS may some day want to offer a programmatic expansion to one of its earlier neighborhoods -- say in commercial revitalization, new construction on vacant lots, management services for small apartment buildings, or a neighborhood rental services program. However, these residual services should involve a minimal cost to the NHS and no appreciable cost to Neighborhood Reinvestment in terms of additional call on Neighborhood Program Support, Training and Technical Assistance services.

The model on page 9 shows visually the way an NHS program might evolve over a fifteen year period. We show the average program in a neighborhood of

Neighborhood Reinvestment Corporation
Developmental Activity



2,500 units, facing average program difficulty, and having average financial resources, which has reached a residual services stage in 5-1/2 years.

Following each block labeled, "Basic Neighborhood NHS" is a thin band labeled "Residual Availability of Services" stretching indefinitely into the future. Layered on top of several of the blocks symbolizing the basic neighborhood NHS are blocks symbolizing a programmatic expansion, such as a Home Ownership Promotion program to turn tenants into homeowners and market vacant properties, or a Rehabilitation and Sale program to bring severely deteriorated vacant buildings back into occupancy at prices that are consistent with the neighborhood real estate market.

Neighborhood Reinvestment's developmental process activity is shown preceeding each program element becoming operational.

The scale of the blocks show a typical NHS program's 5-1/2 year life and the average one-year of developmental activity by the Neighborhood Reinvestment Corporation which preceeds the NHS becoming operational. The volume of the respective blocks is designed to show visually the leverage being achieved on Federal dollars.

The experience we have gained with the earliest 25 programs shows that the initial goals in a typical NHS neighborhood are completed in approximately 5-1/2 years. During that time, reinvestment in each neighborhood averages $10 million. Federal resources of approximately $145,000 are required to develop each Neighborhood Housing Services program and an additional $28,500 per year has been expended for Program Support, Training and Technical Assistance, program monitoring and provision of the secondary market for revolving loan

funds. These latter expenditures continue during the average 5-1/2 year life of each neighborhood program. The total direct Federal cost in generating the $10 million average reinvestment is approximately $300,000.

Expenses for introducing the new programmatic components are even less than the original partnership-building efforts.

During the past year, NHS revolving loan funds received approximately $10,000,000 nationally in grants from local governments, foundations and private industry, and local businesses contributed over $7,000,000 to NHS operating budgets.

Beyond their financial contributions and the economic activity they stimulate in NHS neighborhoods, business leaders bring countless volunteer hours and their management expertise to the management of the NHS activities in each neighborhood.

IMPACT OF THE CURRENT ECONOMIC CLIMATE

The rapid escalation of construction costs has strained the capacity of individual local NHS revolving loan funds and has in turn, strained the capacity of the secondary market which Neighborhood Housing Services of America administers for NHS revolving loan fund loans. In addition, at current interest rate levels neighborhood homeowners are postponing work -- reducing program momentum and the resultant reinvestment psychology which causes a neighborhood to "take off" through private initiative.

The NHS expansion, both programmatic and geographical, discussed in the previous section requires additional operating funds for each local NHS program undertaking it. Most of the operating budgets of NHS programs are contributed

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by financial institutions. The current difficult economic conditions for thrift institutions are affecting the ability of NHS programs to raise necessary additional operating budgets, and if conditions worsen, the adequacy of current operating budgets could be affected.

At the same time, as many sources of Federal assistance to neighborhoods have been recommended for reduction or elimination, the remaining source of Federal assistance, Community Development Block Grants, will be subject to intensified local competition.

To cope with the difficult operating conditions for NHS programs, Neighborhood Housing Services of America is providing leadership to broaden the base of private corporate support for local programs. Three tracks are currently being followed to accomplish this:

Track 1. A fund raising consultant retained by NHSA is providing training to NHSA staff and Neighborhood Reinvestment staff to counsel local programs in broadening the base of their local fund raising efforts to include a broadened sector of the local business community.

Track 2. On a pilot basis, two NHS programs are being provided direct assistance by the fund raising consultant to develop optimum ways NHS programs can approach the corporate community for funding programmatic and geographical expansions. In a pilot project in New York City, over one-third of the funding for the expanded NHS program is being sought from the corporate sector. Another pilot in the Twin Cities NHS of Minneapolis and St. Paul is seeking 25% of the budget for its expanded program from major corporations headquartered in the Twin Cities area.

Track 3. Each NHS program is being consulted with regard to goals for a major national capital campaign which will include supplementing local revolving loan funds and additional capital for the secondary market for revolving loan fund loans. Local programs are also being consulted on distribution formulae and leadership development for such a national campaign. Approximately one year will be required to develop a unified campaign for the one hundred plus local programs, and contributions will be realized during the following three years. In the meantime, planning is going forward on the development of leadership for such a campaign.

Even if the results of these three tracks of private fund raising efforts are successful, NHS programs can expect to be operating in a very lean way for the next one to two years, until significant additional capital becomes available for the revolving loan funds and the secondary market. If operating budgets are significantly affected by the thrift industry's problems, Neighborhood Reinvestment may be required to temporarily shift resources from the development of new programs to assistance for operating NHS programs.

Three areas in which we are working to ease the impact of the present economic climate for neighborhood residents are in energy conservation, affordable housing and increased rental resources.

Energy Conservation

In deteriorated buildings which are not only inadequately insulated, but where heat streams through ill fitting windows and doors, fuel costs are especially high. Inefficient old furnaces are common in older neighborhoods and they account for a large part of the extremely high fuel bills that many residents pay.

As winter fuel bills reach $200 a month (larger than some monthly mortgage payments) they are having an increasing impact on our nation's poorer families who are already painfully hurt by the inflationary squeeze on their budgets for the necessities of life.

Because of the parallel rise in energy costs and interest rates, many residents find themselves unable to qualify for conventional financing for needed home repairs. A family's energy costs may make the difference between whether it can obtain conventional financing or whether it must turn to the NHS revolving loan fund.

In this environment, a neighborhood strategy to cut the high costs of fuel combined with needed financing through the revolving loan fund offers critically needed relief to lower income homeowners.

More NHSs have been making energy conservation repairs a part of their rehabilitation work and counseling wherever possible, but only rarely in a systematic fashion.

We have been working with a number of NHSs to identify the key components of, and create a model for, a neighborhood energy conservation strategy which could then be offered to all NHSs. Due to our own budgetary restraints, we have approached the Ford Foundation with a proposal for funding several energy conservation programs to be sponsored by Neighborhood Reinvestment and local NHSs.

The five programs chosen offer a full spectrum of neighborhood level delivery systems for energy conservation and also technical assistance to support these systems.

Each of the proposed neighborhood energy conservation strategies bear the following common characteristics:

Comprehensive -- Many issues and actors are involved in the delivery of energy conservation services to neighborhoods. The steps which each program takes into account are:

-- marketing
-- energy audit
-- materials (specifications, purchase, installation)
-- financing
-- quality control

Low Technology -- It has been NHS's experience that the simplest repairs usually are the most cost-effective as regards energy conservation. The most rudimentary aspects of energy conservation are particularly important considering the sub-standard quality of most of the housing stock in NHS neighborhoods and most center city areas.

Community Oriented -- Somehow, despite the tremendous amount of energy conservation information available, the "man in the street" often has not been motivated to do anything in his home. Building on the community's commitment to the NHS organization and utilizing a variety of techniques to communicate with residents, each program aims at securing the active interest of a large segment of its community residents.

Technically Competent -- Each program builds out from a new NHS staff role: the "energy conservation specialist." It is this person's job to be sure that the beginning (audit) and the end (quality control) of the delivery process are being accomplished competently and for the benefit of the neighborhood resident.

Neighborhood Reinvestment will provide technical assistance to NHSs through its Neighborhood Support, Training and Technical Assistance Division in the following areas:

Training -- The quantity and quality of energy conservation training in our Chicago-based Rehabilitation Intern Training Program will be increased.

In-Service Training -- Rehabilitation and Energy Conservation Specialists who are already on the job will have their skills periodically updated.

Network -- Current technical and product information will be shared throughout the NHS network.

Affordable Housing

The Owner-Built Housing program addresses the severe shortage of affordable, quality housing facing moderate income families. Based on a rural self-help model, this new program enlarges homeownership opportunity in NHS neighborhoods by families collectively building their own homes, with supervision, coordination and technical assistance provided by the NHS. The initial demonstration project in the NHS neighborhood in Oakland, California was developed in 1980. It consists of 14 families who invested 40 hours of work per week per family for a period of nearly a year. This investment has enabled each family to take title to a conventionally financed home with an estimated market value of over $80,000 by assuming a $45,000 mortgage.

In Oakland, expansion of this successful model to an additional site of 8 structures is in progress. This vehicle for providing single-family homes for about half of market value is being replicated in Santa Ana, California.

Increased Rental Resources

Neighborhood Reinvestment has been identified with promoting homeownership through NHS programs. This is a valid identification and a thrust which we intend to continue pursuing; however, the erosion of rental units through condominium conversion and the high building costs and economic uncertainties that are preventing new rental units being produced, as well as concern about displacement, has made it imperative that our interest broaden to include rental resources. Pilot efforts are now underway in a number of localities in which NHS or another neighborhood nonprofit purchases and rehabilitates vacant or absentee-owned buildings and then operates them as continuing rental resources, controlled by the neighborhood, to provide for the needs of lower income neighborhood renters. We are continuing to search for additional strategies to meet this need.

Another approach with significant potential in addressing the rental housing needs of low and moderate income families is the Mutual Housing Association concept.

The Corporation, encouraged by the Committee on Banking, Finance and Urban Affairs, is conducting a national demonstration to test the viability of the Mutual Housing Association concept in the U.S. -- a concept broadly used in Western Europe, which has successfully produced 4.4 million dwelling units for over 10 million people in West Germany since World War II.

It is a concept of tenure which falls between rental and homeownership, whereby individuals seeking housing pay a modest investment fee to a Mutual Housing Association to become a member and an occupant of a Mutual Housing Association produced unit. The member earns interest annually on his

investment and is returned the fee when he vacates. The investment fee and a monthly fee (comparable to rent) provide a source of capital for the maintenance of the existing housing stock of the association, as well as production of additional dwelling units. Members, along with a partnership of financial institutions, local government, and neighborhood groups, serve on a board of directors responsible for the affairs of the association.

The member is provided a quality, affordable unit without fear of displacement or rapid rent rises in exchange for a small investment of capital in the association as a requirement for membership and occupancy.

The Neighborhood Reinvestment Corporation, over the next year, will initiate development of 2 demonstration Mutual Housing Associations in the U.S. Through these demonstrations, Neighborhood Reinvestment will adapt the key elements of the West German experience to American institutions and create the appropriate developmental process necessary to bring into being competent, effective and publicly accountable Mutual Housing Associations.

The Corporation will be building on its 10 year experience in developing NHS programs as competent, nonprofit organizations and its experience, through the Apartment Improvement Program, in rental housing.

The initial demonstrations will test an ideal model, independent of restrictions and limitations of existing Federal programs. Neighborhood Reinvestment is seeking financing through below-market mortgage money from insurance companies and "front-end" subsidy support through foundation grants.

In September, Neighborhood Reinvestment Corporation will report to the Committee on Banking, Finance and Urban Affairs describing, as requested, the progress of the demonstration "as an alternative vehicle to effectively

respond to the critical and growing shortage of affordable rental housing in urban areas."

We look forward to keeping both the Banking and Appropriations Committees informed as to our progress. (A comprehensive listing of all programs in operation or in development are available as Attachment E.)

FISCAL YEAR 1982 APPROPRIATION REQUEST

Neighborhood Reinvestment's budget justification is based on schedules submitted to the Office of Management and Budget as a result of the budget process. The amount requested, $14,950,000, represents a 20% increase over the $12,459,000 in appropriated funds available in Fiscal Year 1981. However, when all sources of funds are considered, the overall increase between Fiscal Year 1981 and Fiscal Year 1982 is approximately 4%. Appropriated funds represented a smaller proportion of our total Fiscal Year 1981 resources because of higher interest earnings due to market conditions, as well as the repayment of a $600,000 loan in Fiscal Year 1981 which had been made to Neighborhood Housing Services of America shortly before the close of Fiscal Year 1980 to provide the necessary liquidity to secure a new secondary market commitment.

With reference to the funds for travel requested in our budget justification, I am sure that it will again appear high when compared to other governmental departments and agencies whose budgets you review. The reason for this is that our staff, over half of whom are constantly in the field, must be highly mobile in order to carry out their work in neighborhoods in 42 states. Their travel requirements are more akin to a bank examiner's than to an analyst's or an administrator's.

The incredibly rapid escalation of travel costs during the past 18 months has required us to reduce programmatic travel whenever possible and to use every economy -- increasing the number of field offices, utilizing all possible economy fares, doubling up staff at meetings and conferences, etc. By practicing these economies we were able to operate under the Fiscal Year 1980 travel ceiling and will also complete Fiscal Year 1981 under the travel ceiling.

Our Fiscal Year 1982 request already has taken all feasible economies into consideration, and allowed less for inflation than today seems prudent. We respectfully urge the Committee to approve the full amount requested.

The chart on page 21 compares our projected results in Fiscal Year 1981 with goals for Fiscal Year 1982. You will note a slight reduction in the development of new NHS programs as we have shifted a small amount of resources into the provision of additional programmatic components and neighborhood support, training and technical assistance for existing NHS programs. If the financial condition of the thrift industry, which was discussed earlier, has a significant negative impact on the operating budgets of the existing NHS programs, it may be necessary to recommend to our Board of Directors a further shift of resources from program development to technical assistance and grants to enable the NHS programs to weather the storm in the balance of Fiscal Year 1981 and Fiscal Year 1982.

	FY 1981 Projected Results	FY 1982 Goals
NEIGHBORHOOD HOUSING SERVICES		
Start new NHS developments or expansions	28	24
NEIGHBORHOOD PROGRAM SUPPORT, TRAINING AND TECHNICAL ASSISTANCE		
Start up assistance to new NHS programs	35	28
Support and technical assistance to operating NHS programs	115	142
Support and technical assistance to operating Apartment Improvement Programs	12	17
Support and technical assistance to operating Urban Lender Programs	1	3
Monitor NHS programs through on-site visits	112	120
Conduct training programs:		
NHS Executive Directors	75	85
Rehabilitation Specialists	75	85
Grants to further capitalize and support secondary market	$600,000	$800,000
NEIGHBORHOOD PRESERVATION PROJECTS		
Select new Neighborhood Preservation Projects	6	5
Develop demonstrations:		
Neighborhood Commercial Revitalization Center	2	1
Energy Impact Program	1	1
Mutual Housing Association	1	1
Prepare NPP for trial replication and testing	3	2
NEIGHBORHOOD PRESERVATION DEVELOPMENT		
Start new Apartment Improvement Program developments	5	4
Start new Home Ownership Promotion program	3	3
Start new statewide NHS foundation	0	1
Start new Insurance Industry Full Partnerships	3	3
Start new Rehabilitation and Sale programs	1	1
Start new Owner-Built Housing Programs	1	2
Start Urban Lender Programs in additional cities	2	3

THE NEIGHBORHOOD REINVESTMENT CORPORATION

Neighborhood Reinvestment offers proven revitalization programs to cities and neighborhoods. The organization also looks for new promising revitalization and preservation programs to develop additional tools for neighborhoods to use against decline.

Neighborhood Reinvestment acts as a catalyst, stimulating the creation and development of public-private-resident partnerships. Through these partnerships, neighborhoods in need of assistance are being revitalized and people's lives improved.

The Neighborhood Reinvestment Corporation, successor to the Urban Reinvestment Task Force, is a nonprofit public corporation with direct Congressional funding. The Corporation was created by an act of Congress in October 1978. The Corporation's Board of Directors includes the heads of the federal financial regulatory agencies -- the Chairman of the Federal Home Loan Bank Board, the Comptroller of the Currency, the Chairman of the Federal Deposit Insurance Corporation, a member of the Board of Governors of the Federal Reserve System, the Chairman of the National Credit Union Administration -- and the Secretary of the U.S. Department of Housing and Urban Development. The Federal Home Loan Bank Board Chairman serves as the Chairman of the Corporation's board of directors.

HISTORY

Neighborhood Reinvestment had its beginning in the Federal Home Loan Bank Board in the early 70's. The Bank Board was seeking new ways for savings and loans to become more involved in urban lending. To accomplish this, the Bank Board began conducting partnership workshops in a number of cities around the country. The workshops brought together lenders, community representatives and local government representatives to explore potential approaches and solutions. While conducting a partnership workshop in Pittsburgh, the Bank Board staff discovered a program which has become the backbone of the Neighborhood Reinvestment Corporation's activities -- the Neighborhood Housing Services (NHS) program.

Neighborhood Housing Services began in Pittsburgh in the late 60's. Community representatives, lenders, and Pittsburg city officials had put together a locally controlled, private nonprofit corporation. The program was based on a partnership in which these three groups worked together to revitalize the Central Northside neighborhood. NHS offered comprehensive housing rehabilitation services to residents of the neighborhood and was having significant results in restoring confidence and improving the neighborhood. After carefully monitoring and evaluating the program, the Bank Board recommended that the program be replicated (NHS) on a trial basis in other cities.

During this period, 1972-1974, the work and the promise of these local Neighborhood Housing Services began to be recognized. In 1974, the Bank Board and the U.S. Department of Housing and Urban Development joined forces and created the Urban Reinvestment Task Force to expand on the Bank Board initiative. Shortly afterwards, they were joined by the Board of Governors of the Federal Reserve System, the Comptroller of the Currency and the Federal Deposit Insurance Corporation.

Legislation creating Neighborhood Reinvestment and changing its status from a demonstration program to an ongoing corporate entity was passed by Congress and signed by the President in October of 1978. At that time, the Chairman of the National Credit Union Administration was added to the Urban Reinvestment Task Force members to form the Board of the Corporation.

NEIGHBORHOOD HOUSING SERVICES

The major effort of Neighborhood Reinvestment is developing Neighborhood Housing Services programs. NHSs are based on working partnerships of community residents and representatives of local governments and financial institutions. They are private, nonprofit corporations which offer comprehensive housing rehabilitation services to residents of locally-selected neighborhoods. These services include rehabilitation counseling, construction assistance, financial counseling and loan referrals.

NHS relies on strong, meaningful participation by each member of the partnership. Following are the five key elements of an NHS program.

Residents -- Residents play a leadership role, generated by a genuine interest in improving their neighborhood. They commit to investing in their homes and working toward upgrading their community. In addition, residents also work with local government officials to implement a sensitive housing inspection program and help actively promote NHS goals. Residents of the NHS neighborhood make up a majority on the NHS board of directors and serve on all committees.

Lenders -- Financial institutions play a significant role in the reinvestment taking place in the neighborhood through NHS. Lenders agree to make market rate loans to all homeowners in the NHS neighborhood who meet normal underwriting criteria. They actively serve on the boards of directors, sharing their managerial skills and financial knowledge. Lenders also support the NHS operating budget through tax-deductible contributions.

Local Government -- Local government is involved in the program from the beginning. It usually provides the funds for developing the NHS. Additionally, local government officials work with the NHS to provide a systematic housing inspection program that is sensitive and flexible. A key commitment is increasing capital improvements and City services in the target area, visibly demonstrating to residents the City's involvement in the program.

Revolving Loan Fund -- One of the most essential elements in the NHS program is the revolving loan fund. This fund is used to make loans to residents who do not meet normal, conventional credit standards. As the purpose of the fund is to provide loans, not grants, each loan is designed to fit the ability of the borrower to repay with flexible terms and interest rates. The fund provides every resident with the opportunity to improve their home. The money is raised locally.

An Operating NHS Program -- An NHS program is guided by a local board of directors comprised of members of the partnership. The program operates in a locally-selected neighborhood with a small professional staff.

THE ROLE OF NEIGHBORHOOD REINVESTMENT IN NHS DEVELOPMENT

Neighborhood Reinvestment facilitates the development of NHS in cities by bringing together members of the partnership in a coordinated process. Initially, Neighborhood Reinvestment reviews the applications, usually submitted by local governments, and then conducts field visits to determine if the elements for a potentially successful NHS program are present. These elements include local resources and leadership among institutions concerned with neighborhood revitalization. The next step involves entering into a developmental agreement with a local entity, again, usually a local government, to assist residents, lenders and City officials in creating the program. The local entity provides developmental funding in the range of $35,000 to $50,000, depending on the number of neighborhoods where the program will operate. These costs include a local, full time staff person hired by Neighborhood Reinvestment to coordinate the NHS developmental process for six months to a year and a series of educational workshops, including a visit for participants to an operating NHS program.

Once the NHS is organized, Neighborhood Reinvestment plays a support role providing the following services -- assisting the local board as they select permanent staff; providing training for the Executive Director and the Rehabilitation Specialist; helping the staff establish operating procedures and record keeping systems for the office; and providing informational materials and other assistance as requested by NHS boards of directors.

DEMOGRAPHIC PROFILE OF NHS NEIGHBORHOODS

DATE: 3/11/1991
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CITY NAME	NEIGHBORHOOD NAME	POPULATION	% MINORITY	% OVER 65	MEDIAN INCOME *	# UNITS	% OWNER OCCUPIED	MED VALUE SINGLE FAMILY
ALBUQUERQUE	DOWNTOWN	6,000	70% H	21%	$5,653	1,500	50%	$10,545
ATLANTA	GRANT PARK	8,500	45% B O	%	$6,735	3,098	53%	
AURORA	N.E. AURORA & OAK PARK	13,576	35% BH	11%	$8,937	3,215	66%	$16,350
BALTIMORE	PATTERSON PARK	18,000	20% B O	20%	$8,083	5,000	50%	$7,000
BALTIMORE	GOVANS-PEN LUCY	12,547	83% B	20%	$7,560	2,562	60%	$7,000
BELOIT	MERRILL	2,900	55% B	25%	$12,400	725	63%	
BIRMINGHAM	BUSH HILLS	3,000	30% B	18%	$11,346	5,022	58%	$13,200
BOSTON	MISSION HILL	16,820	85% B	15%	$7,397	4,995	33%	$15,370
BOSTON	COLUMBIA-SAVIN HILL	26,363	13% B	20%	$8,585	8,620	87%	$14,285
BRIDGEPORT	UPPER EAST SIDE	13,381	20% BH	13%	$6,937	5,258	67%	$19,400
BRIDGEPORT	SOUTH END	10,000	50% BH	%	$5,903	659	63%	
BUFFALO	BROADWAY-FILLMORE	6,275	25% B	36%	$8,940	2,735	74%	$8,050
BUFFALO	KEN BAILEY/DELAVAN	7,110	33% B	13%	$10,396	6,816	60%	$13,335
BUFFALO	MASTEN	15,673	99% B	9%	$10,396	4,956	41%	$10,950
BUFFALO	BLACK ROCK-RIVERSIDE	19,700	1% B	13%	$11,019	6,900	78%	$18,250
BUFFALO	WEST SIDE	6,585	5% B	12%	$11,748	2,596	69%	$10,450
BUFFALO, NY	SOUTH BUFFALO	11,683	1% B	10%	88%	4,060	84%	$13,150
CHARLESTON	LOWER WESTSIDE	4,558	40% B	28%	$7,235	1,918	46%	$10,000
CHARLESTON	GADSEN GREEN	3,542	99% B	9%	82%	914	28%	$11,700
CHARLOTTE	PLAZA-MIDWOOD	3,040	18% B	16%	86%	1,078	63%	$11,900
CHELSEA		3,000	5% H	14%	90%	953	60%	$13,600
CHEYENNE	SOUTHSIDE	2,383	45% H	%		848	63%	$32,060

Demographic information was compiled during the development process and represents the best available data at the time
*Neighborhood median income as a percent of city median income is presented in some cases due to a change in the reporting process.

DEMOGRAPHIC PROFILE OF HHS NEIGHBORHOODS

CITY NAME	NEIGHBORHOOD NAME	POPULATION	% MINORITY	% OVER 65	MEDIAN INCOME	# UNITS	% OWNER OCCUPIED	MED VALUE SINGLE FAMILY
CHICAGO	HEART OF CHICAGO	23,000	105% BH	17%	$9,000	3,000	75%	$11,525
CHICAGO	WEST ENGLEWOOD	16,000	95% B	%	$7,500	3,000	85%	
CHICAGO	NEAR NORTHWEST	20,069	40% H	20%	$9,390	5,554	75%	$13,196
CHICAGO	LITTLE VILLAGE	25,000	75% H	%	$8,691	5,000	65%	
CHICAGO	CENTRAL AUSTIN	19,000	90% B	25%	$9,990	4,552	92%	$16,025
CINCINATTI	EVANSTON	13,327	89% B	28%	$8,170	5,104	58%	$14,075
CINCINNATI	MADISONVILLE	13,734	45% B	24%	$7,500	5,082	61%	$13,810
CLEARWATER	SOUTH GREENWOOD	3,000	14% B	30%	$14,900	1,849	68%	$12,350
CLEVELAND	NEAR WEST SIDE	9,896	35% HO	15%	$8,394	3,080	64%	$11,530
CLEVELAND	BUCKEYE	12,000	60% B	15%	$9,031	9,064	45%	$16,650
COLORADO SPRINGS	VERMIJO-CUCHARRAS	2,343	16% H	%	$9,018	781	60%	
COLUMBUS	LINDEN HILL	10,000	50% B	15%	$10,800	2,545	70%	$16,000
DALLAS	MI AUBURN-SANTA FE-OWENWOOD	7,000	14% B	21%	$8,534	2,364	44%	$10,767
DALLAS	TRINITY HEIGHTS	7,597	97% B	6%	$6,412	2,132	47%	$10,400
DALLAS	NORTH PARK/LOVE FIELD	6,691	77% B	9%	$7,969	2,091	57%	$36,500
DAVENPORT	EAST VILLAGE	3,145	20% B	15%	$15,689	1,703	55%	$22,000
DENVER	HIGHLAND	6,721	40% H	%	$10,234	2,708	63%	$25,500
DES MOINES	HARDING	3,500	5% B	35%	$10,500	1,825	65%	$28,000
DETROIT	HIGHLAND PARK	4,800	90% B	5%	$14,000	1,024	49%	$14,300
DURHAM	OLD NORTH DURHAM	3,000	45% B	%	112%	599	50%	$15,000
E PROVIDENCE		4,800	3% B	%		1,600	65%	
FT WORTH	POL/TECHNIC	3,987	65% BH	17%	$7,541	2,500	84%	$15,000
GREAT FALLS	OLD TOWN	5,050	18% O	32%	$9,000	1,250	36%	$30,000

DEMOGRAPHIC PROFILE OF NHS NEIGHBORHOODS

CITY NAME	NEIGHBORHOOD NAME	POPULATION	% MINORITY	% OVER 65	MEDIAN INCOME	# UNITS	% OWNER OCCUPIED	MED VALUE SINGLE FAMILY
HARTFORD	BLUE HILLS	4,200	83% BH	9%	$9,600	1,200	50%	$20,750
INDIANAPOLIS	BUTLER-TARKINGTON	5,080	88% B	%	98%		53%	$12,200
INGLEWOOD	LOCKHAVEN	7,712	80% BH	8%	80%	2,300	56%	$22,600
ITHACA	SOUTHSIDE	5,350	30% B	%	80%	2,300	56%	$20,000
JACKSONVILLE		2,766	40% B	12%	$3,728	1,019	48%	$7,000
JAMAICA	BAISLEY PARK	7,163	98% B	22%	$10,000	3,305	67%	$29,300
KANSAS CITY	49-63 (EASTERN)	4,400	25% B	30%	93%	1,650	60%	$12,200
KANSAS CITY	CENTER CITY/SOUTH HYDE PARK	9,886	24% B	21%		4,469	38%	$12,000
KNOXVILLE	PARK CITY	3,247	49% B	19%	74%	1,445	45%	$8,500
LA HABRA	NONE	41,350	40% H	13%	69%	2,042	44%	$19,600
LAWRENCE	ARLINGTON	10,000	60% H	10%	80%	2,400	73%	$20,000
LITTLE ROCK	CENTRAL LITTLE ROCK	8,000	55% B	17%	$6,500	2,000	50%	$12,700
LOUISVILLE	SHAWNEE	4,000	HO% B	9%	$7,906	2,300	68%	$12,100
MACON	MONTPELIER	5,304	80% B	%		1,768	40%	$25,000
MENLO PARK	BELLEHAVEN	4,656	98% BH	%	$7,656	1,348	54%	
MIAMI	WEST LITTLE RIVER	7,955	95% B	6%	$11,300	2,096	57%	$15,523
MILWAUKEE	SOUTHSIDE	10,407	35% H	11%	79%	3,514	45%	$10,075
MILWAUKEE	NORTH SIDE	12,226	90% B	10%	$7,700	3,624	54%	$10,067
MINNEAPOLIS	NORTHSIDE - WILLARD/HOMEWOOD	5,000	50% B	%	$9,500	2,250	74%	
MINNEAPOLIS	SOUTHSIDE	6,386	70% B	14%	$9,000	3,625	72%	$30,000
MINNEAPOLIS	REGINA	2,000	60% B	%	$17,000	948	87%	
NASHVILLE	INGLEWOOD	5,453	70% B	%	$11,500	1,840	58%	
NASHVILLE	WAVERLY-BELMONT-HILLSBORO	3,485	65% B	27%	$8,210	1,170	37%	$11,300

DEMOGRAPHIC PROFILE OF NHS NEIGHBORHOODS

DATE: 3/11/1981
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CITY NAME	NEIGHBORHOOD NAME	POPULATION	% MINORITY	% OVER 65	MEDIAN INCOME	# UNITS	% OWNER OCCUPIED	MED VALUE SINGLE FAMILY
NEW BRITAIN	BROAD AND NEWBRITE	12,209	55% BH	8%	82%	4,181	83%	$33,000
NEW HAVEN	UPPER STATE, DWIGHT/EDGEWOOD	6,438	35% H	%	93%	2,146	57%	
NEW ORLEANS	BROADMOOR	7,487	60% B	15%	82%	3,301	36%	$19,700
NEWARK	WEEQUAHIC PARK	17,929	93% B	14%	$8,689	6,499	51%	$20,075
NIAGARA FALLS	AREA 4	8,000	12% B	30%	90%	2,557	61%	$13,250
NORWALK	SOUTH NORWALK	8,812	50% BH	%	57%	1,904	54%	
OAKLAND	ELMHURST	16,329	85% B	17%	$8,500	5,502	55%	$18,175
PASADENA	N W PASADENA	5,838	98% B O	8%	73%	2,300	66%	$17,034
PEORIA	WEST BLUFF	8,855	3% B	10%	$14,300	3,319	66%	$16,700
PHILADELPHIA	ALLEGHENY WEST	13,130	90% B	13%	$8,200	3,520	71%	$6,748
PHILADELPHIA	EAST FRANKFORD	8,828	40% B	27%	$8,990	5,510	56%	$7,850
PHOENIX		5,000	13% B	33%	75%	1,697	57%	$12,200
PITTSBURGH	CENTRAL NORTHSIDE	7,303	50% B	32%	60%	3,566	27%	$7,010
PLAINFIELD	PLAINFIELD	6,357	85% B	11%	84%	252	91%	$17,700
PROVIDENCE	ELMWOOD	14,456	73% BH	20%	80%	3,500	24%	$12,000
PUEBLO	MINNEQUA HEIGHTS	4,213	35% H	8%	$8,900	1,657	79%	$18,000
RACINE		5,850	20% BH	14%	$7,534	1,917	50%	$12,800
READING	WARD 6	2,603	90% BH	10%	79%	945	63%	$6,400
ROCHESTER	BROWN SQUARE/EDGERTON	11,000	5% B	12%	$10,000	4,318	44%	$12,733
SAGINAW	CENTRAL EAST	11,589	50% B	11%	78%	4,003	49%	$11,100
SALT LAKE CITY	CENTRAL EAST	3,700	1% B	15%	99%	3,268	66%	$14,900
SAN ANTONIO	WEST SIDE	10,700	95% H	17%	57%	2,914	41%	$7,100
SANTA ANA	ARTESIA/PILAR	3,973	74% HO	5%	68%	1,259	73%	$18,900

DEMOGRAPHIC PROFILE OF NHS NEIGHBORHOODS

CITY NAME	NEIGHBORHOOD NAME	POPULATION	% MINORITY	% OVER 65	MEDIAN INCOME	# UNITS	% OWNER OCCUPIED	MED VALUE SINGLE FAMILY
SAVANNAH	BALDWIN PARK	2,349	60% B	19%	$10,241	1,041	57%	$10,000
SHREVEPORT	QUEENSBOROUGH	3,000	90% B	%		1,000	63%	$28,800
SOUTH BEND	NEAR NORTHWEST	5,922	13% BH	22%	$10,000	2,856	55%	$10,500
SOUTH PORTLAND	FERRY VILLAGE	2,500	0%	9%	70%	769	66%	$11,200
SPRINGFIELD MASS	UPPER HILL	10,000	70% B	15%	$8,819	2,525	60%	$22,000
SPRINGFIELD OH	SOUTH CENTRAL	3,880	55% B	14%	$8,000	2,034	58%	$10,500
ST LOUIS	SOULARD	11,865	1% B	24%	$10,000	5,121	19%	$7,210
ST PAUL	MERRIAM PARK	13,000	2% B	15%	$10,802	4,921	78%	$30,000
ST PETERSBURG	LASSING PARK	2,236	5% B	%	$8,329	1,217	48%	$18,145
ST. PAUL	DAYTON'S BLUFF	7,250	5% B	13%	$10,000	2,600	54%	$31,000
ST. PAUL	WESTSIDE	1,700	35% H	26%	$15,400	700	%	$28,250
SYRACUSE	BRIGHTON	12,576	35% H	13%	$10,500	3,462	55%	$12,867
TACOMA	S TACOMAWAY	3,000	5% B	7%	94%	1,490	64%	$13,500
TAMPA	HYDE PARK	8,000	17% B	40%	83%	3,000	67%	$12,200
TOLEDO	HISTORIC SOUTH SIDE	9,531	14% H	13%	77%	3,333	51%	$9,450
TOLEDO	OLD WEST END	19,528	60% B	12%	$9,178	7,463	65%	$12,200
TRENTON	WILBUR	6,282	50% B	16%	$8,219	2,046	71%	$10,319
TUCSON	PUEBLO GARDENS	2,428	72% BH	11%	$6,935	786	56%	$10,900
TULSA	N W CROSSROADS	6,496	60% B	13%	85%	2,512	70%	$8,000
UTICA	CORNHILL	13,214	60% B	17%	$8,782	2,322	65%	$13,300
WASHINGTON	ANACOSTIA	16,138	96% B	8%	80%	10,172	61%	$16,285
WASHINGTON	ELMINGDALE/ECKINGTN/EDGEWD	7,700	95% B	%	$8,558	3,446	74%	
WATERBURY	WILLOW PLAZA,CROWNBRK,NEW PAC	10,500	30% BH	%	10,63?	6,000	80%	$22,000

DEMOGRAPHIC PROFILE OF NHS NEIGHBORHOODS

DATE: 3/11/1981
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CITY NAME	NEIGHBORHOOD NAME	POPULATION	% MINORITY	% OVER 65	MEDIAN INCOME	# UNITS	% OWNER OCCUPIED	MED VALUE SINGLE FAMILY
WATERLOO	MODIFIED THREE	5,345	68% B	11%	$8,973	1,525	75%	$9,931
WILMINGTON	THE BOTTOMS	3,385	99% B	14%	75%	891	60%	$7,000

ESTIMATE OF THE LEVERAGED IMPACT
OF
NEIGHBORHOOD HOUSING SERVICES PROGRAMS
THROUGH FISCAL YEAR 1981

Support for Local NHS Program Activity	
Contributions to developmental costs (primarily by local government)	$ 5,000,000
Contributions to NHS operating budgets (primarily by financial institutions)	32,000,000
Contributions to NHS revolving loan funds (local government, Neighborhood Reinvestment Corporation, foundations, other industry)	41,000,000
Purchase of NHS loans (by Neighborhood Housing Services of America)	3,000,000
City expenditures for code inspections	9,000,000
TOTAL	$ 90,000,000
Reinvestment in NHS Neighborhoods *	
Loans made through NHS loan funds	20,000,000
Loans made through financial institutions by referral from NHS	91,000,000
Loans made by city/state loan programs	20,000,000
New mortgages written in NHS neighborhoods	300,000,000
Other rehabilitation financed **	202,000,000
Capital improvements to NHS neighborhoods	45,000,000
TOTAL	$ 678,000,000
Federal Investment	
Federal funds expended or committed to date (Urban Reinvestment Task Force demonstration grants 1974-1979 of $23,625,000, FY 80 appropriation of $12,000,000, and FY 81 appropriation of $12,459,000)	$ 48,084,000

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* Estimates based on data collected for the evaluation of Neighborhood Housing Services programs by the U.S. Department of Housing and Urban Development (conducted by Urban Systems Research and Engineering, Inc.) Describing Target Neighborhoods, April, 1980, and unpublished draft of final report.

** Work financed by individuals through savings or money borrowed independently from financial institutions.

NEIGHBORHOOD PRESERVATION PROJECTS

Selection and Evaluation of Promising New Tools

Neighborhood Preservation Projects Division's selection and evaluation of promising new tools is based on the recognition of unmet neighborhood needs and begins when an NHS or similar organization crafts a strategy to address one of these needs. Neighborhood Reinvestment selects a number of the most innovative solutions as Neighborhood Preservation Projects to receive modest demonstration grants and technical assistance. These projects generally serve a declining neighborhood and are on the modest scale appropriate to the NHS approach. The objective is to discover workable new neighborhood tools and chronicle the particular experience so that it can be replicated in other neighborhoods.

Energy Conservation

1. Elmwood NHS Energy Conservation Project
(Providence, Rhode Island)

The Providence Elmwood NHS is developing an energy conservation program that provides a comprehensive energy audit program and educational outreach. The energy audit will (1) evaluate the effects of physical problems on energy consumption, (2) determine the effects of living patterns and habits on energy consumption, and (3) analyze energy costs related to a building's cash flow. The educational outreach includes seminars, workshops and working models demonstrating how various energy conservation measures can actually be used.

2. Ferry Village NHS Energy Conservation Project
(South Portland, Maine)

Ferry Village NHS is systematically integrating energy conservation audit and repair procedures into its operations. Energy conservation is being tested as an alternative to sensitive code enforcement in the marketing of the NHS's comprehensive rehabilitation services. In-home discussions and workshops for small groups of residents also demonstrate cost-effective do-it-yourself energy conservation techniques.

3. Salt Lake City NHS Energy Conservation Project
(Salt Lake City, Utah)

Salt Lake City NHS is coordinating the full spectrum of existing energy conservation resources for its neighborhood. Partners with the NHS in this effort include: city and state governments, utility companies, schools, lending institutions, contractor trade associations, and community action programs. The comprehensive energy conservation plan evolved in the NHS neighborhood will serve as a model for other neighborhoods in the city.

Preventing Displacement

1. Baltimore NHS Anti-Displacement Project
(Baltimore, Maryland)

The Baltimore Patterson Park NHS is addressing the problems of displacement through the Home Maintenance Program and the Neighborhood Rental Services Program. The Home Maintenance Program provides routine and emergency home maintenance services to elderly and physically handicapped homeowners who are unable to perform routine maintenance. The Neighborhood Rental Service is a separate corporation formed by the NHS to acquire, rehabilitate, and rent problem rental properties on specific target blocks. The program combines acquisition loans from the NHS High Risk Revolving Loan Fund, Existing Section 8 Housing Assistance Payments and 312 loans. After rehabilitation the properties are rented to neighborhood residents.

2. Jubilee Cooperative Conversion Project
(Washington, D.C.)

Jubilee Housing, Inc., assists low- and moderate-income tenants in the Adams Morgan neighborhood by converting apartment buildings to cooperative ownership for existing tenants. The conversion process includes (1) acquisition, (2) initial rehabilitation to secure the buildings and improve the residents' living conditions, (3) development of tenant responsibility to increase apartment management and building maintenance skills among residents through a committee structure, (4) increasing building safety, (5) refinancing for break-even operation when existing rents can support a mortgage and operating expenses, and (6) conversion to resident cooperative ownership. Tenant participation is extensive throughout the Jubilee process.

3. Mutual Housing Conversion Project
(Chicago, Illinois)

The Chicago NHS's Redevelopment Corporation (NHSRC) is pursuing a pilot process which encompasses the concepts of mutual housing, turnkey development, and the attraction of private investment capital. NHSRC is renovating and stabilizing the tenancy of a moderate-sized apartment building for conversion to ownership by a mutual housing association.

Preventing Default and Foreclosure

1. West Englewood NHS Pilot Program for HUD/FHA Foreclosed and Abandoned Single-Family Properties
(Chicago, Illinois)

The Chicago West Englewood NHS project provides additional services to an NHS neighborhood experiencing substantial foreclosure and abandonment of FHA single-family insured mortgages. The strategy is for the NHS to intervene in the decision-making process that leads to foreclosure and abandonment, and to make specific recommendations to HUD at key points in the process. The elements that are added to the NHS model include: (1) default, credit, and prepurchase counseling, (2) property management, and (3) rehab and sale. The program is financed by a contract with HUD for area management broker services, lender contributions, and program grants.

Recycling Blighted Properties

1. Baltimore City 26(h) Project
(Baltimore, Maryland)

The City of Baltimore administers a program to acquire and rehab blighted, privately owned properties which the owner cannot or will not repair. In order to enhance the neighborhood stability, the city then sells the properties to people who will be owner-occupants. A Vacant House Advisory Committee composed of the NHS Board and housing officials selects properties which the city acquires, rehabilitates and sells at the fair market value. The difference between the fair market value and the actual costs is subsidized by municipal funds. The program operates in the Baltimore Govans NHS neighborhood.

New Construction in Older Neighborhoods

1. Chicago NHS In-Fill Housing Project
(Chicago, Illinois)

The NHS Development Corporation, a non-profit subsidiary of NHS of Chicago, is constructing single-family homes on scattered vacant sites in the Heart of Chicago NHS neighborhood. The city provides funds for acquisition, and local lenders provide construction and permanent mortgage financing. The NPP grant is being used for down-payment assistance to qualified home buyers in order to reduce the cost of construction and bring the sales price within the neighborhood real estate market. The NHS markets the houses, screens potential buyers, selects finalists by lottery and assists in loan processing and closing.

2. Oakland NHS Owner-Built Housing Project
(Oakland, California)

The Oakland NHS program is a single-family housing construction process that helps moderate-income homeowners to collectively build their own homes with technical assistance from the NHS and financing from private lenders. The process includes (1) acquiring 14 contiguous lots in the NHS neighborhood that are owned by the city, (2) recruiting home builders through the news media and neighborhood publicity, (3) obtaining conventional financing for qualified borrowers from local lenders, (4) developing house plans and cost estimates, (5) providing pre-construction training, and (6) supervising construction.

3. Elmhurst Scatter-Site In-Fill Housing
(Oakland, California)

An analysis of (1) job site security on scatter-site lots, (2) cost-reducing construction techniques, and (3) anti-speculation deed restrictions for scatter-site new construction in NHS neighborhoods. The report will identify essential elements for replication and outline a possible replication process.

Housing Management

1. Housing Resource Center
(Chicago, Illinois)

The Housing Resource Center offers technical assistance to the owners of small apartment buildings, improving their profitability so that reinvestment in the buildings is possible. The Center will train resident managers and offer financial management counseling to owners as part of its full range of tenant and landlord services.

2. Flatbush Development Corporation
(Brooklyn, New York)

The Flatbush Development Corporation's Housing Management Program is a non-profit community-based apartment management service. This program provides comprehensive professional management services to landlords on a fee basis, allowing the operating expenses of the service to be partially offset from management income. The institution of sound management practices will include planned reinvestment and maintenance while yet not forcing the displacement of present low- and moderate-income tenants.

Neighborhood Crime Prevention Strategies

1. Kansas City NHS Crime Prevention Project
(Kansas City, Missouri)

The NHS of Kansas City is attempting to reduce both crime and the fear of crime through two strategies: (1) organizing block clubs and (2) recycling vacant properties. Property reuse is the most significant element of this program because the highest proportion of neighborhood crime occurs near vacant properties. The NHS acquires property from the city and transfers it to neighborhood residents or non-profit groups who then redevelop the properties. The city provides additional acquisition funds to cover the cost of title searches, legal fees and property acquisition from private parties. Block clubs learn to use existing crime prevention resources such as Operation Identification, the Free Lock Program, Block Watchers and Home Security Audits. The NHS serves as an information and referral center, and crime prevention staff work as neighborhood advocates.

Neighborhood Environment Improvement

1. Allegheny West NHS Front Yard Improvement Project
(Philadelphia, Pennsylvania)

Philadelphia Allegheny West NHS is developing design standards and financial packages for making outside residential improvements on neighborhood blocks. A manual of design variations will be produced including graphics, lists of materials necessary, itemized costs and various options. The program offers partial rebates on the cost of exterior improvements as an incentive for complying with local code enforcement.

Neighborhood-Based Education

1. Liaison Citizen, Inc.
(Los Angeles, California

Liaison Citizen is a sixteen-week program which trains youth and adults in communications and citizenship skills. The program is designed so that trainees will better understand and function within the governmental/political system, thus enabling them to contribute positively to their communities. At the conclusion of the training program, graduates involve themselves in creative community projects. The program operates in the Crenshaw neighborhood and is coordinated with the Apartment Improvement Program.

2. Foundation for Community Service Television
(Los Angeles, California)

The Foundation for Community Service Television has formed a partnership with the Inglewood School Board, the Inglewood NHS and a local cable operator to offer local high school students the opportunity to use video programming to document the background and culture of their community. This knowledge base is designed to enhance their sense of community and enable them to address more serious pressures in the community such as deteriorated and substandard housing, vandalism and increasing neighborhood crime. The resulting video program will be made available to neighborhood viewers with free installation of cable T.V. service.

Commercial Revitalization

1. Philadelphia Corridor Manager Project
(Philadelphia, Pennsylvania)

The Corridor Manager Program provides services to three neighborhood merchant associations including those located in the Allegheny West NHS and adjacent to the East Frankford NHS. The Program (1) assists in developing incentive packages for merchant association memberships such as insurance programs and security services and (2) provides technical expertise in advertising, promotional activities, management and merchandising assistance. Three neighborhood commercial areas share the services of two corridor managers. This enables each area to benefit from professional expertise without having to assume the total financial responsibility for staff salary. The merchant associations will provide financial support to maintain the corridor managers after project development is completed.

2. St. Johns Business District Stabilization Project
(Portland, Oregon)

The City of Portland has a program in the St. Johns Business District which combines major physical improvements in the commercial area with work in the surrounding residential neighborhood. The program also seeks to secure reinvestment from existing merchants and to attract new businesses to the area. An Investors Guide has been prepared to market the area's economic and physical advantages. A targeted remodeling program provides free architectural assistance and financial incentives including the city's Investor Rehabilitation Loan Program and SBA.

3. York Road Planning Area Committee (YRPAC)
(Baltimore, Maryland)

YRPAC formulates development policies and strategies for a commercial area bordering the Baltimore Govans NHS. A small staff conducts planning activities and provides financial packaging to assist existing and potential entrepreneurs. Financial incentives include: (1) the city's low-interest rehab loan program, (2) SBA direct and guaranteed financing, and (3) a high risk revolving loan fund administered by Yorky Development Company, a subsidiary of YRPAC.

4. Greater Southwest Development Corporation
(Chicago, Illinois)

The Greater Southwest Development Corporation is coordinating and building upon existing neighborhood-based programs currently serving and contributing to the revitalization of the Chicago Lawn and West Lawn neighborhood business districts. This program is developing local business leadership, which is working to create a special service assessment area to cover staff costs, coordinate promotion, design standards, special building codes and other appropriate programs to support the businesses in the area.

* * *

PROGRAMS TRANSFERED TO
NEIGHBORHOOD PRESERVATION DEVELOPMENT
FOR TRIAL REPLICATION

1. New York Yonkers Apartment Building Rehabilitation Project - Apartment Improvement Program
2. California Berkeley Pilot Rehabilitation Project - Neighborhood Conservation Services
3. Baltimore NHS Home Ownership Development and Marketing Project - Home Ownership Promotion
4. Boston Jamaica Plain Vacant Housing Renovation, and Baltimore 26(h) Project - Rehabilitation and Sale Program
5. California Neighborhood Housing Services Foundation - Statewide NHS Foundation
6. Pueblo Rehab Training Project, and SWAP (Stop Wasting Abandoned Properties) - Vacant and Abandoned House Strategies
7. Oakland NHS Owner-Built Housing Project - New Construction in Older Neighborhoods

OTHER PROJECTS COMPLETED

1. Central Hoboken Tenement Rehabilitation Project
(Hoboken, New Jersey)
2. Northwest Hartford Commercial Revitalization Project
(Hartford, Connecticut)
3. Oak Park Neighborhood Preservation Project
(Oak Park, Illinois)
4. Crown Hill Delead Project
(Worcester, Massachusetts)
5. Cleveland Heights Comprehensive Real Estate Project
(Cleveland, Ohio)
6. East Toledo Neighborhood Commercial Revitalization Project
(Toledo, Ohio)
7. Central Northside Pittsburgh Neighborhood Preservation Project
(Pittsburgh, Pennsylvania)
8. Housing Conservation Institute
(San Francisco, California)
9. Buckeye Road Commercial Revitalization Project
(Cleveland, Ohio)

10. Lefrak City Neighborhood Stabilization Project
(Corona, New York)

11. Duplex As A Starter Home Project
(Milwaukee, Wisconsin)

12. Minneapolis Southside NHS Crime Prevention Project
(Minneapolis, Minnesota)

13. Mission Hill NHS Congregate Housing Project
(Boston, Massachusetts)

14. Eugene Municipal Rent Supplement Project
(Eugene, Oregon)

15. Savannah Neighborhood Action Project
(Savannah, Georgia)

16. Jamaica Queens NHS Home Maintenance Training Project
(Jamaica, New York)

2/26/81

NEIGHBORHOOD PRESERVATION DEVELOPMENT

Through the Program Development Division of Neighborhood Reinvestment, the most promising of the Neighborhood Preservation Projects (NPPs) are moved from the NPP process, phase one, into a second phase -- trial replication. These programs are offered to a limited number of cities, where a systematic developmental process is worked out. A third phase involves replicating the programs in a large number of additional locations and providing technical assistance to ensure the success of the program.

Four programs are currently in phase two of development.

Home Ownership Promotion Program

The Home Ownership Promotion program (HOP) is interested in enlarging home ownership opportunities with existing neighborhood tenants and limited new entrants. Building on the cooperative NHS partnership of residents, lenders, city representatives, and staff, the HOP program systematically extends NHS services to a population of buyers in target areas where increased owner-occupancy will affect improvement and maintenance of the living environment.

Situations to be addressed on a block-by-block basis include: resident concern about absentee-owned properties remaining well below community standards; tenants potentially interested in purchasing their dwellings or structures nearby; vacant or stagnant residential structures requiring special resources and marketing efforts to encourage their sale and improvement; slack confidence; and, a soft real estate market lacking the adequate or sensitive participation of real estate brokerages which match buyers and sellers, creating a healthy volume of transactions.

The concept originated in the Baltimore NHS program where, in its first year, the program changed over 300 houses from absentee-ownership to owner-occupied, and helped 216 neighborhood tenants become homeowners. The program provides a strategy for other communities which have a high degree of community organization, numerous absentee landlords and a long-term tenant population.

Rehabilitation and Sale Program

The Rehabilitation and Sale program is a tool for NHS to use in the rehabilitation of vacant homes exerting a blighting influence on the neighborhood. Many communities find that severely blighted buildings weaken neighborhood revitalization efforts by hindering the function of the real estate market. These buildings devalue otherwise sound homes nearby and further depress general property values in the neighborhood.

The Rehab and Sale program assumes that vacant houses beyond the reach of housing code inspections and enforcement, scattered in basically sound neighborhoods, warrant intervention in the housing market by a not-for-profit entity to alleviate blight, return structures to tax rolls, support ongoing neighborhood preservation and ensure the viability of the community. The program is targeted for those properties too sound to raze, but too blighted to be privately rehabilitated. The strategy augments private and NHS rehabilitation activities in an effort to further stabilize and improve the neighborhood. The Rehabilitation and Sale program aims to recycle vacant structures for owner-occupancy by creating a working partnership of community residents, financial institutions, insurance companies and local government.

In Chicago, the first site for replication of the program, the NHS has purchased 18 buildings, 16 of which have been rehabilitated and sold, the other two are currently under construction.

Insurance Industry Full Partnership

In 1978, homeowners' insurance issues started to emerge as a serious concern. Local NHS programs began to report that the positive results of their programs were being affected by problems homeowners were having with insurance coverage. In some neighborhoods, policies were either not being renewed or were cancelled. Other homeowners were having problems finding adequate voluntary coverage for their older homes. Home financing problems were often followed, since homeowners insurance is almost always required before a loan can be made.

Neighborhood Reinvestment responded to the problem in 1979 by developing the Insurance Industry Full Partnership. The partnership evolved through discussions with the industry to learn how their programs operate and how they could cooperate with local NHS programs.

The resulting program involves the major insurers in the community who are willing to write insurance coverage for homeowners meeting normal underwriting criteria. A liaison is established between the NHS and each company to deal with whatever problems arise. As a by-product of the program, residents learn about the operation of the insurance industry and insurance company executives and agents learn about neighborhoods and their needs. Insurance industry representatives also become members of the NHS board and the companies participate in the financial support of the NHS program.

Statewide NHS Foundation

The California NHS Foundation was developed by California financial institutions who operate on a statewide basis and have branches in many cities. These institutions felt a statewide approach was needed to determine the number of NHS programs to be supported in the state and to select the cities in which NHS development would occur.

A foundation program was created in which each participating financial institution provides an agreed upon annual contribution to the foundation. The foundation then provides 75% of the operating budget of each NHS program in the state. The balance of the operating budget is raised by each NHS from local resources.

To date, 18 financial institutions are members of the California NHS Foundation and have contributed over $1 million to the support of California NHS programs. The NHS foundation concept has recently been replicated in New Jersey.

Apartment Improvement Program (AIP)

The Apartment Improvement Program joins the city, financial institutions, property owners, tenants, and neighborhood organizations in a partnership to deal with large apartment buildings which exert a blighting influence on their neighborhoods and bring them back into profitable operation, and at the same time provide a decent living environment for the tenants. A financial analysis of the current and pro-

jected operations of a building are studied through the use of the computerized Real Estate Investment Analysis model. This model aids in the development of an individually tailored improvement plan through which each building may benefit from such activities as tenant participation, contemporary tax assessment methods, and increased investment or restructured mortgages to improve the economic viability of buildings and to finance improvements. Developed in Yonkers, New York, the Apartment Improvement Program in its first 16 months was able to "turn around" 65 apartment buildings containing 3,500 units. We are replicating this promising program around the country and have found that over a five year period, the Apartment Improvement Program activity provides a leverage of 65 to one on Federal expenditures.

Neighborhood Commercial Revitalization Centers

The Neighborhood Commercial Revitalization Center joins local merchants, neighborhood residents, lenders and other business leaders and local officials in a partnership to revitalize declining neighborhood commercial areas.

The original sites of the demonstrations were Portland, Oregon and Baltimore, Maryland. The work on each of these projects has shown that the local partnership is critical for success. The partners must work together to develop a comprehensive plan, carry out a market analysis to identify opportunities for new business development and expansion, provide business and financial advice to merchants, combine lending resources in a financial assistance plan if it is needed, and plan for public investments to make the area both safe and attractive.

Urban Lender Program

The Urban Lender Program was created by Neighborhood Reinvestment Corporation at the request of the Federal Home Loan Bank Board to help loan underwriters and appraisers better understand the particular social, economic and governmental elements that affect urban housing in their community.

Utilizing the NHS partnership in Baltimore, Maryland, Neighborhood Reinvestment designed a course combining technical information and formal course work with field experiences. The objective was to provide participants with both specific tools for urban appraising and underwriting and a broad understanding of their city and its housing issues.

Two sessions of the program were completed in Baltimore during 1980, and plans are being developed for a similar course in Chicago during 1981.

NEIGHBORHOOD REINVESTMENT CORPORATION

Program Report - February 28, 1981

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

CITY	NEIGHBORHOOD HOUSING SERVICES PROGRAMS			NEIGHBORHOOD PRESERVATION PROJECTS	NEIGHBORHOOD PRESERVATION PROGRAMS*	
	Organized	In Development	In Expansion		Operational	In Development
Albuquerque, NM	1**					
Allentown, PA	1					
Anchorage, AK		1				
Atlanta, GA	1		1			
Aurora, IL	1					
Baltimore, MD	2			3		
Barberton, OH					NCS	
Beaumont, TX		1				
Beloit, WI	1					
Birmingham, AL	1					
Boston, MA	2					
Bridgeport, CT	2				HOP, INS	
Bronx, NY		2			AIP	AIP
Brooklyn, NY		2		1		
Buffalo, NY	6					
Burton, MI		1				
Casper, WY		1				
Charleston, SC	1				HOP	
Charleston, WVA	1					
Charlotte, NC	1					
Chattanooga, TN	1					
Chelsea, MA	1					
Cheyenne, WY	1					

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

CITY	NEIGHBORHOOD HOUSING SERVICES PROGRAMS			NEIGHBORHOOD PRESERVATION PROJECTS	NEIGHBORHOOD PRESERVATION PROGRAMS*	
	Organized	In Development	In Expansion		Operational	In Development
Chicago, IL	5		1	5	INS	UL
Cincinnati, OH	2		2			
Clearwater, FL	1					
Cleveland, OH	2					HOP/INS
Colorado Springs, CO	1					
Columbus, OH	1					R&S
Dallas, TX	3				AIP	
Davenport, IA	1					
Denver, CO	1				HOP	
Des Moines, IA	1		1			
Detroit, MI	1					
Durham, NC	1					
East Orange, NJ					AIP	
East Providence, RI	1					
Elgin, IL		1				
El Paso, TX		1				AIP
Emeryville, CA					NCS	
Eugene, OR						
Evansville, IN					NCS	
Flagstaff, AZ		1				
Fort Worth, TX	1					
Great Falls, MT	1					
Green Bay, WI		1				
Hartford, CT	1		1		AIP, INS	
Houston, TX		2				
Indianapolis, IN	1					
Inglewood, CA	1					
Ithaca, NY	1					

CITY	NEIGHBORHOOD HOUSING SERVICES PROGRAMS			NEIGHBORHOOD PRESERVATION PROJECTS	NEIGHBORHOOD PRESERVATION PROGRAMS*	
	Organized	In Development	In Expansion		Operational	In Development
Jackson, MS	1					
Jacksonville, FL	1					
Jamaica (Queens), NY	1		1			R&S
Jersey City, NJ		1				
Kalamazoo, MI		1				
Kankakee, IL		1				
Kansas City, KS		1				
Kansas City, MO	2			1	INS	
Knoxville, TN	1					
Lafayette, LA		1				
La Habra, CA	1					
Lakeland, FL		1				
Lawrence, MA	1					
Little Rock, AK	1					
Los Angeles, CA				2	AIP	
Louisville, KY	1					
Macon, GA	1					
Menlo Park, CA	1					
Miami, FL	1					
Milwaukee, WI	2					
Minneapolis, MN	3				INS	
Mt. Vernon, NY					AIP	
Nashville, TN	2					
Newark, NJ	1				AIP	R&S
New Britain, CT	1					
New Haven, CT	1					
New Orleans, LA	1					
Niagara Falls, NY	1					
Norwalk, CT	1					

CITY	NEIGHBORHOOD HOUSING SERVICES PROGRAMS			NEIGHBORHOOD PRESERVATION PROJECTS	NEIGHBORHOOD PRESERVATION PROGRAMS*	
	Organized	In Development	In Expansion		Operational	In Development
Oakland, CA	1			2		AIP
Oklahoma City, OK		1				
Omaha, NB		1				
Orlando, FL		1				
Pasadena, CA	1					
Peoria, IL	1					
Philadelphia, PA	2			2	HOP	
Phoenix, AZ	1		1			
Pittsburgh, PA	1				HOP	
Pontiac, MI	1					
Portland, OR				1		
Providence, RI	1			2		
Pueblo, CO	1		1	1		
Queens, NY		1				
Quincy, IL		1				
Quincy, MA		1				
Racine, WI	1					
Reading, PA	1					HOP
Richmond, CA		1				
Richmond, VA		1				
Rochester, NY	1				HOP	
Saginaw, MI	1					
St. Louis, MO	1		2			
St. Paul, MN	3				INS	
St. Petersburg, FL	1					
Salt Lake City, UT	1		1	1		
San Antonio, TX	1					
Santa Ana, CA	1					OB
San Bernandino, CA	1					
Savannah, GA	1					

CITY	NEIGHBORHOOD HOUSING SERVICES PROGRAMS			NEIGHBORHOOD PRESERVATION PROJECT	NEIGHBORHOOD PRESERVATION PROGRAMS*	
	Organized	In Development	In Expansion		Operational	In Development
Scranton, PA		1				
Shreveport, LA	1					
South Bend, IN	1					
South Portland, ME	1			1		
Springfield, MA	1					R&S
Springfield, OH	1					
Spring Valley, NY						AIP
Stamford, CT		1				
Staten Island, NY		1				
Syracuse, NY	1					HOP
Tacoma, WA	1					
Tampa, FL	1		1			
Toledo, OH	2					
Trenton, NJ	1					
Tucson, AZ	1					
Tulsa, OK	1					
Union County, NJ	4					
Utica, NY	1					
Vallejo, CA	1					
Vermont - Rural		2				
Washington, D.C.	2			1	AIP	
Waterbury, CT	1					
Waterloo, IA	1					
West Palm Beach, FL	1					
Wilmington, NC	1					
Winston-Salem, NC		1				
New Jersey NHS Foundation					SWF	
TOTAL	100 Cities 126 Neighbor-hoods	34	13	22	24	14

Mr. TRAXLER. Mr. Green, do you have any questions at this point?

IMPACT OF HUD PROGRAM CUTBACKS

Mr. GREEN. To what extent are you dependent on HUD programs which may be in danger of being cut back?

Mr. WHITESIDE. I wouldn't say we are dependent on any of them. There are a number of programs that support local NHSs that have been very helpful. We have had a small set-aside of Section 8, up until now all in existing housing units. We are expecting a set-aside of some existing and some moderate rehabilitation units for the balance of fiscal year 1981. It would be a hardship on local programs if that were cut back. About 20 odd programs are expecting to participate in the fiscal year 1981 set-aside.

The Community Development Block Grant resource is very important to local programs. They get grants for their revolving loan funds and sometimes, in the very small cities, they have had a partial funding of their operating budgets from that resource.

In the non-HUD area, many programs have had VISTA workers or CETA workers, and it is going to be a hardship if they lose those workers.

That is part of our reason for looking for broadened private resources. We see the Federal resources as inevitably being constricted. We are trying to plan for that.

SECTION 8 ASSISTANCE

Mr. GREEN. What volume of Section 8 have you had?

Mr. WHITESIDE. Very small. A thousand units were set aside in each of fiscal years 1978 and 1979, and a thousand units are proposed for fiscal year 1981. Spreading that over 20 programs, it amounts to about 50 allocations per program.

URBAN DEVELOPMENT ACTION GRANTS

Mr. GREEN. Have you been involved with UDAG at all?

Mr. WHITESIDE. A very few programs have been affected by UDAG, but it hasn't been a major part of their programs. It has been a helpful added element.

Mr. GREEN. Thank you.

RESTRICTIONS ON PERSONNEL HIRING CEILINGS

Mr. TRAXLER. You came through the Carter submissions and OMB rather well. You survived present Administration's first and second cuts. So I suppose that if all goes well in the Congress, you will remain fairly well intact.

How have the Administration's hiring freeze and establishment of new personnel ceilings affected you, as a quasi-public/private organization?

Mr. WHITESIDE. It has not impacted on us. Our corporate structure has the effect of giving us an independent mode of operation.

Mr. TRAXLER. You are sort of are immunized in that regard?

Mr. WHITESIDE. Sort of.

OMB has looked at that very thoughtfully and has indicated to us that we are not covered but urged us to do what we are, of

course, doing. That is, to use restraint in travel and in the use of consultants and in hiring additional personnel.

HUD EVALUATION OF NEIGHBORHOOD REINVESTMENT CORPORATION—"DESCRIBING TARGET NEIGHBORHOODS"

Mr. TRAXLER. During the past year the Office of Policy Development and Research over at HUD issued two lengthy reports on the Neighborhood Reinvestment Corporation. The first is entitled "Describing Target Neighborhoods" and was released in April of 1980. I am sure you are familiar with their reports.

RESIDENT RECOGNITION OF NEIGHBORHOOD HOUSING SERVICES

One of the very interesting comments made in the April 1980 report appears on page 95 of that report. The following statement is made there: "In the total sample of interviewees, 30.6 percent are aware of the Neighborhood Housing Services program in their area."

That strikes me as a rather low figure. Are you concerned about that?

Mr. WHITESIDE. Actually I feel it is a fairly high figure. I don't know what kind of sampling you do in your congressional districts, but to have that proportion——

Mr. TRAXLER. Mr. Green and I are well known in our districts—household words.

Mr. WHITESIDE. We find it is a phenomenally high figure, to tell the truth, and are delighted with it.

Mr. TRAXLER. Looking at page 97 of that report, it indicates the percentage of respondents in each Neighborhood Housing Services community that is aware of the NHS and the figure for Dallas is 12.1 percent.

Dallas is ranked number two in the overall neighborhood rankings depicted on page 92. Isn't this incongruous when one of the highest ranking NHSs is known only to 12 percent of the people in the neighborhood?

Mr. WHITESIDE. I am trying to figure out what the rankings mean. They are an indication of the quality of life in the minds of the homeowners interviewed.

We found that to be a little peculiar too, and we can't tell whether it is the effect of human psychology or a sampling quirk. We see several neighborhoods rated very high there that we know are in terrible shape still, and people just feel good about them compared to some of the better neighborhoods that rank very low.

I can't explain that.

In terms of the knowledge of the program in Dallas, in the North Park-Love Field area, it may be because the program has concluded its work there. Sampling done in 1979 may have been picking up homeowners who were simply not being served by the NHS because the NHS had basically finished most of its job.

HUD EVALUATION—"CREATING LOCAL PARTNERSHIPS"

Mr. TRAXLER. The title of the second report is "Creating Local Partnerships." It was issued in March of 1980, just after the hearings on your 1981 budget request. The report traces the evolution

of the Neighborhood Reinvestment Corporation from its beginnings in 1970 within the Federal Home Loan Bank System through its growth as the Urban Reinvestment Task Force.

It describes how the Corporation carries out its role as a catalyst which seeks to bring together residents and representatives of local governments and financial institutions to develop neighborhood housing service programs.

The acknowledgement page states—and this will make you very happy—"one point of agreement has emerged among contributors to this study: there has been an unusual amount of leadership, administrative talent, technical ability, imagination, hard work, and commitment associated with the endeavor to build this NHS program. Our study supports this view."

That is a strong endorsement.

NEIGHBORHOOD HOUSING SERVICES OF AMERICA

Page two of the summary states that in an effort to improve the liquidity of the NHS revolving loan fund, the Task Force helped establish the Neighborhood Housing Services of America, Inc., which is a private corporation that provides NHS organizations with a secondary market in which they can sell their revolving loans.

For the record, will you provide the general background information on the Neighborhood Housing Services of America?

Mr. WHITESIDE. Yes, we will.

[The information follows:]

NEIGHBORHOOD HOUSING SERVICES OF AMERICA, INC.

Neighborhood Housing Services of America, Inc., was established as a private nonprofit, State chartered, tax exempt corporation in 1974 to give added private sector strength to the NHS programs, and through a secondary market give the NHS programs access to the private investor market as a resource for replenishing their loan funds.

It was anticipated in NHSA's formation that this and other activities to meet common needs of the NHS programs would be carried out by NHSA in cooperation with Neighborhood Reinvestment. This approach has been effective and its continuation was anticipated in the enabling legislation for Neighborhood Reinvestment:

"The Corporation (Neighborhood Reinvestment) shall continue the work of the Urban Reinvestment Task Force in supporting Neighborhood Housing Services of America, a nonprofit corporation established to provide services to local neighborhood housing services programs, with grants to expand its national loan purchase pool, and may contract for service which it can perform more efficiently or effectively than the Corporation."

NHSA is a California corporation headquartered in Oakland, California. Its bylaws call for a 15-member board of directors and it currently operates with a board of 12 members and a staff of 21 persons located in Oakland, Washington, D.C. and Baltimore, Maryland. The staff was organized to contain all the staff and partnership skills involved in the NHS programs—financial, community and governmental processes—and on the basis of these skills is able to make contributions to many aspects of Neighborhood Reinvestment's work related to NHS operations in general as well as to the NHS revolving loan fund operations.

NHSA's board of directors includes volunteers representing the same resident-city-financial industry partnership which is the foundation of all the NHS programs and functions as a resource board for the NHS programs both technically and substantively. Development of the secondary market is a very good example of this dual board role.

A Board Committee actually developed the secondary market with the assistance of Neighborhood Reinvestment, The Ford Foundation, the Federal Home Loan Mortgage Corporation and a leading San Francisco law firm on a *pro bono* basis. It is now operated with the oversight of the Board's Loan Committee. Its loan pur-

chase activity from NHS programs has totaled $2.8 million to date, $1,250,000 of which was funded from NHSA secondary market note sales to a private investor against a $3 million note purchase agreement. Discussions are underway in anticipation of an additional note purchase agreement expected to exceed $5 million.

Other NHSA activities undertaken in cooperation with Neighborhood Reinvestment are highlighted as follows:

1. *NHS Program Reviews.*—NHSA carries lead staff responsibility for joint NHSA-Neighborhood Reinvestment periodic reviews of NHS programs. Besides helping to satisfy Neighborhood Reinvestment responsibilities, participation in this activity helps NHSA meet its own secondary market responsibilities, which involve local NHS loan servicing arrangements as well as assessment of the readiness of new NHS programs to participate in the secondary market program.

2. *NHS Educational Development Project.*—This function provides for development of a long range solution to NHS staff training needs. It is concentrating on the adaptation and targeting of existing academic and training programs to prepare existing NHS staff for upward mobility and to increase the numbers of qualified candidates for NHS and Neighborhood Reinvestment staff positions. It provides for comprehensive treatment through the Master's level, including internships and training seminars. Eighteen interns have been trained through a pilot jointly funded by Neighborhood Reinvestment and Allstate Insurance Company. A Master's program has been launched with NHS as the centerpiece and with more than half the students for the first class from NHS programs or with a direct interest in NHS work.

3. *Mutual Housing Association Demonstration.*—This function provides for joint NHSA-Neighborhood Reinvestment design and pilot development of two Mutual Housing Association demonstrations. In these demonstrations, low to middle income families will invest savings in associations which will develop and operate apartments renting them to association members at cost plus upkeep. Basic design work has been completed to be refined in the first pilot underway in Baltimore, building on the Baltimore NHS partnership.

4. *NHS Financial Development Project.*—Through this project, NHSA is providing leadership to broaden the base of private corporate support for local NHS programs and the NHSA secondary market. NHSA has engaged fund raising counsel to concentrate assistance in the following three areas: (1) development of a model approach to local NHS fund raising geared to broaden private corporate support of the NHS locally, along with training tools for implementing the model, (2) training of Neighborhood Reinvestment and NHSA staffs to counsel local programs in the model fund raising approaches, with later plans to train NHS executive directors and fund raising representatives at various NHS training opportunities, (3) guide a planning process geared toward undertaking a major national NHS capital/special fund drive campaign to meet NHS needs beyond those feasible for annual fund raising.

POSSIBILITIES FOR A NATIONAL FUND RAISING DRIVE

Mr. TRAXLER. We understand NHSA is contemplating hiring a fund-raising contractor in an attempt to build a capitalization of the fund. Have you actually hired a contractor? What is the status of that project?

Mr. WHITESIDE. They have entered into a working relationship with the firm of Marts & Lundy.

Mr. TRAXLER. Where is that firm located?

Mr. WHITESIDE. New York City. They currently are handling the Harvard fund-raising and they handled the United Negro College fund drive recently, one of the, if not the outstanding firm in the country.

NHSA is getting, we think, a very favorable kind of treatment. Much of their initial assistance was on a pro bono basis because of Marts and Lundy's interest in the project. They are obviously being paid for their major assistance.

Mr. TRAXLER. Have they started fund-raising?

Mr. WHITESIDE. We are operating on three tracks, as I mentioned. One involves staff training, one involves—I guess a fourth

track is research, which is under way, research on potential donors, another track involves pilot testing of how to relate the corporate fund-raising skills to the NHS model.

This is going on in two cities, New York City and the Twin Cities in Minnesota.

Finally—and we are still exploring this and doing long range planning for it, is a national fund drive. It will take about a year of work to work with the individual NHSs to get their consensus on needs and goals before we can go forward with that.

Mr. TRAXLER. What is the fund-raising goal here?

Mr. WHITESIDE. We are trying to enable every NHS in the country—and they are in 126 neighborhoods—to have a solid private financial base in its community. Their current operating costs are running about $75,000 a year. What diminution there might be in that if the thrift industry gets in further difficulty, we don't know, but we want the private sector to pick up whatever slack there is.

As they are invited to do additional programmatic elements in the community and take on additional neighborhoods, that will take additional funds. We want to have private resources available for that.

If there is to be a national fund drive, Marts and Lundy's feasibility study, which they conducted very early, indicates that a goal of $20 to $30 million would be a reasonable national fund-raising goal.

NEIGHBORHOOD REINVESTMENT'S CITY SELECTION PROCESS

Mr. TRAXLER. Page three of the summary lists the three related activities that the task force role may be divided into. The first is city selection. Will you elaborate for the Committee on the selection process? We note that certain major cities in the country, such as Los Angeles, Houston, Miami, New York, San Diego, and others, do not have Neighborhood Housing Services.

In addition to elaborating on how you select cities, have you placed too much emphasis on a no-failure policy? Why aren't you doing more in those cities?

Mr. WHITESIDE. We will comment on each of those sub questions.

First, we do have NHSs operating in 42 of the 57 cities over 250,000. We are closing in on the rest, but as you know, we have to be invited. We respond to requests.

I would like to call on George Knight to talk about how we respond to those requests.

Mr. KNIGHT. Basically we receive a request at this point frequently through either the lending industry or from the city government itself for an NHS.

At that point our staff that is the closest to the city will visit with the prospective partners, interview them, explain the program, and elicit their interests. If NHS is something that seems to make sense, and would it be appropriate in a city we proceed to the assessment phase..

If that assessment looks positive, that is, if it looks like there is the possibility of creating a partnership between the residents interviewed, the lending community, now the private sector, and the city, we then enter into a development agreement and proceed to put together the partnership.

We have established NHSs in 42 of the 57 cities over 250,000. We are in development in several of the other larger cities. San Diego, Houston, New York City, other boroughs than yours.

Mr. GREEN. Just for the record, they have been in New York City, but it is listed under Jamaica.

Mr. TRAXLER. We aliens wouldn't understand that.

Mr. WHITESIDE. We are expanding into six other neighborhoods currently in New York City.

Mr. TRAXLER. Actually though, you must go out and solicit clients. Do you go out to cities, explain what you do, and invite them to invite you?

Mr. WHITESIDE. Our major effort in this regard is annual presentations we make at the National League of Cities, the U.S. Conference of Mayors, the National Association of Counties.

We have tried very hard not to get a large list of clients waiting who will then be disappointed at our slowness in working through a backlog. At thirty programs a year, it takes a long time to work through a backlog. So by keeping our public relations modest and responding to requests, it enables us to have our activity and our waiting list somewhat in balance.

NHS PROGRAMS IN SMALLER CITIES AND RURAL COMMUNITIES

Mr. KNIGHT. At this point we have many, many more requests from smaller cities and smaller communities than we can respond to positively because we feel there should be an adequate private sector base to support the program. We are involved in a couple of locations examining how can we tackle a situation that has enormous need, enormous interest, but where the resources are quite constrained on all sides.

We are looking at Richland Center in Wisconsin, Yakima in Washington, Cattaraugus County in New York State, and recently incorporated, a statewide board in Vermont to specifically tackle not only a small town but a rural area.

NHSA STAFF SIZE AND ANNUAL COST

Mr. TRAXLER. What is the current size and annual costs of the NHSA staff? How are those costs borne?

Mr. WHITESIDE. I will have to submit information on the staff size and the total cost for the record.

The primary source of funding for Neighborhood Housing Services of America is grants from the Neighborhood Reinvestment Corporation. They are also seeking to broaden their private base.

Their activities include operating a secondary market and carrying on a number of activities on our behalf that they can handle more effectively or more efficiently than we could.

We contract with them for items of this kind.

[The information follows:]

GENERAL BACKGROUND INFORMATION ON NHSA

The current size of the NHSA staff is twenty-one persons—fourteen professional and semi-professional and seven clerical. The current cost of the existing staff is $489,700 per annum, including fringe benefits.

NHSA purchases loans from the NHS programs at par and the interest differential between the NHSA notes to investors and the yield on the NHS loans is

subsidized. This has represented a three percent spread to date as the NHSA notes are sold at *pro bono* rates.

NHSA has hired fund raising counsel to provide the following immediate services in relation to its NHS financial development project: (1) development of a model approach to local NHS fund raising geared to broaden private corporate support of the NHS locally, along with training tools for implementing the model; (2) training of Neighborhood Reinvestment and NHSA staffs to counsel local programs in the model fund raising approaches, with later plans to train NHS executive directors and fund raising representatives at various NHS training opportunities; (3) guide a planning process geared toward undertaking a major national NHS capital/special fund drive campaign to meet NHS needs beyond those feasible for annual fund raising.

The NHS financial development project focuses on both strengthening local fund raising activities and on planning for a national fund raising drive. The local fund raising model campaign pilots are already underway in New York and the Twin Cities and training of NHSA and Neighborhood Reinvestment staffs to prepare them to be able to provide fund raising counsel to NHSs is also underway. Testing and planning for a national fund raising drive is also underway with a fund raising feasibility study having been completed involving 77 interviews primarily of top corporate and foundation executives and consultation meetings with 20 NHS programs. The results were positive and next steps involve a needs assessment of the NHS programs to have them participate in the formulation of goals and allocation formulas to govern a national unified campaign.

The feasibility study tested a $28 million goal. However, no specific dollar goal can be established prior to formulation of the results of the needs assessment by each NHS.

NHS STATEWIDE LENDER FOUNDATION

Mr. TRAXLER. Page 72 of the report addresses issues for the future. One issue is whether "Existing and new NHSs can raise adequate private funds in the future."

In that regard, the Corporation is exploring the creation of a State-wide NHS lenders foundation to support these local NHSs.

We talked about that in prior years at these hearings. The report raises the same concern that we have—that is, whether this type of funding will weaken the direct partnership commitment of local lenders. What has happened in this area in the last year, and do you think there is any validity to these concerns?

Mr. WHITESIDE. As I indicated in my testimony, we very much share the overall concern and we are putting a major amount of effort into discovering how we are going to deal with the private support the programs need.

There is no guarantee. It is a matter of putting out some effort and seeing what we are able to accomplish.

In terms of the State-wide lender foundations, we see that as a last resort effort in States where there is State-wide banking, meaning that the same institutions may be involved in 10 NHSs. It is a more effective way of mobilizing their support in those cases and sometimes it may be the only way, in that just the fear of being asked to support NHSs in 50 or a hundred or 500 cities where it does business may deter an institution from wanting to go forward at all.

This has been a way of, in a sense, our entering into an agreement with the industry on the rate of development that we can undertake in that State.

In California, which is the first State in which we have done this, we now have nine NHSs operational. We entered into this with the Board of Trustees of the NHS Foundation several years ago.

We have now achieved this plateau. We are now in discussion with the foundation board in terms of "at what rate can further development take place"?

We have been invited to develop a program in Los Angeles in which they want a multi-neighborhood approach. There it is clear we are going to have to go to other industries for part of the support, the insurance industry, the corporate sector broadly, because that would be a major load to add on to the foundation in addition to what it is already doing.

INSURANCE FULL PARTNERSHIP

Mr. TRAXLER. Page 73 of the report also describes the Insurance Industry Full Partnership. This has been developed to deal with redlining by the property insurance industry, according to the report.

What progress has taken place in this area within the last year?

Mr. WHITESIDE. We have made excellent progress in this. The insurance industry full partnerships are now operational in five cities. They are addressing the insurance problems in the neighborhoods there. They are participating on boards and committees. They are sharing in the financial support of the program.

We are in development now in Cleveland, where there is a real need for insurance involvement in the neighborhoods. The property casualty industry is contemplating becoming a full partner with the banks and savings and loans in the program in every way.

I might add, that in addition to what is happening in NHS neighborhoods as a result of this partnership, there is an institutional effect that is affecting the whole country. The insurance companies have a chance to find out what the product needs are through direct contact with the residents in NHS neighborhoods, have had a chance to design new products and to refine new products and offer them broadly in other urban neighborhoods.

So I think in the same way that this was an urban laboratory for the banks and savings and loans a number of years ago, it has become that for the insurance industry now.

Mr. GREEN. Mr. Chairman, on that subject, we received testimony from the Federal Insurance Administration the other day that, as a result of the so-called Holtzman amendment, to the 1978 Housing Act, a number of States have withdrawn from the federal insurance program.

Has that affected the willingness of the insurance industry to participate in those states?

Mr. WHITESIDE. No, it hasn't. The Federal Riot Reinsurance is a program that is part of the so-called Fair Plan. Our whole objective is to get residents out of the Fair Plan and into normal market coverage. If anything, it might stimulate a little bit of activity.

Mr. GREEN. Thank you.

INVOLVEMENT OF OFFICERS IN THE FIELD ACTIVITY

Mr. TRAXLER. Page 39 indicates that as the Corporation has grown, increased administrative responsibilities have competed unsuccessfully with program operations which keep the officers and staff on the road so much of the time.

How do you respond to the assertion that the time-consuming selection process keeps officers and staff on the road at the expense of their administrative functions? Or is that a valid tradeoff?

Mr. WHITESIDE. I think the contractor got a little exaggerated idea of the effort we put into selection—just having placed it as a separate category in itself. We put a year of effort in a program and a week of effort in selection. It seems to me that it is just out of proportion.

I would be the last to say that it is not hard to balance a heavy travel schedule with administrative responsibility, but it is a big country. We have responsibilities in 42 States now.

CONSTRAINTS ON NHS STAFF SIZE

Mr. TRAXLER. Another issue for the future that the report raises is whether the three member minimum staff that most NHSs maintain is adequate to do the job. If larger staffs are required, who will pay for them, especially since the savings and loan industry is suffering from lower profitability. Is this going to be a problem in the future?

Mr. WHITESIDE. Most NHSs have added staff beyond the three minimum member model. As I mentioned earlier, they have used CETA, they have used VISTA. They have gotten funding from city governments under contracts for an additional staff member. They have increased their fund-raising to add staff. It is going to be harder, which again gets back to what was really the central point of my testimony, namely that to deal with changed conditions, we are having to find new ways to keep up with the programs' private funding needs.

USE OF CETA EMPLOYEES BY NHS

Mr. GREEN. Mr. Chairman, on the CETA question, as I understand the Administration's proposal, they want to terminate the public employment parts of the program, but not other training segments. Have your CETA workers been coming through the public employment part of the program?

Mr. WHITESIDE. I cannot say. We haven't looked at that level of detail.

Mr. GREEN. Thank you.

Mr. TRAXLER. Why don't you do that?

Mr. WHITESIDE. It is very helpful though, your comment.

Mr. TRAXLER. Why don't you look at that and supply the answer for the record?

[The information follows:]

NHS USE OF CONCENTRATED EMPLOYMENT TRAINING ACT (CETA) EMPLOYEES AND THE IMPACT OF THE ELIMINATION OF TITLE II-D

Nationwide, approximately 15 percent of all NHSs have been able to obtain the services of one or more CETA workers, primarily under Title II-D. This ranges from one to two employees in most cases, to seven in Toledo, Ohio.

Although 15 percent has a small impact on NHS nationally, in communities which have a small base of lending institutions, CETA workers are a significant contribution to NHS. NHS programs usually have three staff members, so that the loss of one CETA employee will have a significant impact on an individual program's operations.

Only a few NHSs have been able to obtain the services of CETA workers under Title II-B, the Work Experience Program for the elderly and youth.

FLEXIBILITY OF NON-BUREAUCRATIC APPROACH

Mr. TRAXLER. Page 75 sums up what has been another of the Committee's major concerns with the Corporation since its inception. That is, that the Corporation has been able to accomplish so much in no small part because of its small size and administrative flexibility.

The following statement appears on page 75 of the report:

> At issue for the future, however, is whether the Task Force—as the Neighborhood Reinvestment Corporation—will be able to maintain its flexibility and establish a new but equally favorable operating environment for its activities.

What are your thoughts on that issue?

Mr. WHITESIDE. I think a lot about that. Our whole staff thinks a lot about it. We treasure this special kind of entity we are. The charter that Congress gave us is excellent in that regard to give us the flexibility we need. I must say the last few years haven't burdened us with a great deal of growth, but we think a lot about how to keep the flexibility, how to keep the human scale, and all of the leadership of the corporation, on the staff and on the board, is committed to not losing that quality.

I think it is possible to have major growth and to retain the quality, with really careful attention to it. It is one of the articles of faith of the whole institution that that is our strength.

DEVELOPMENT OF RURAL COMMUNITY HOUSING SERVICES MODEL

Mr. TRAXLER. Turning to page two of your 1982 budget justifications, the second paragraph contains the following statement: "Further, in order for NHS to be offered to neighborhoods which are more deteriorated or different kinds of neighborhoods (more multifamily), or different environments (more rural), additional tools are needed."

During last year's hearings, on page 51, Mr. Coughlin raised the issue of a rural model program for the Neighborhood Reinvestment Corporation. The response was that there were certain areas of the country, notably Washington, North Carolina, and Vermont, where this issue was being addressed.

Can you bring the Committee up to date on your rural model again, please?

Mr. WHITESIDE. Yes. Let me make a general statement about it and then ask George Knight to give you more detail.

Generally we feel that private resources are inadequate for a rural NHS in other than very special circumstances. One way to go at this, which I am not advocating, would be to provide through Federal resources what we have gotten through private resources in other communities.

We estimate that it would cost something like $200,000 a year in Federal support to have a rural NHS operating successfully.

What that would do though, it would mean that it would cost us a million dollars over the five-year life of a program instead of $300,000, and it would reduce the leverage from 33 to one down to ten to one. That would be a major policy decision, and one that, given the current scarcity of resources, I am not prepared to recommend. That is the bottom line.

George, would you like to give more specifics on rural development?

Mr. KNIGHT. Specifically in terms of Vermont, we have incorporated a State-wide board, and the partnership in Vermont feels they can raise the resources, although there will be a mix of public and private resources to support two neighborhood programs. A neighborhood not being a suitable word in Vermont, they have changed it and called the programs Community Housing Services because they are going to be county-wide programs.

We are exploring each case jointly with a State government—in New York State and the State of Wisconsin—specific situations, once again, on a county-wide or almost county-wide basis. Once again they will be a mixture of public and private resources. Towards the end of the last administration we were entering into a dialogue with the Department of Housing and Urban Development to jointly undertake a multi-county demonstration.

I think at this point, all of the demonstrations that we have been involved in, have led us to the conclusion Bill just stated, that the private resources are not adequate, although the spirit is very, very willing in many rural and small town areas.

TOTAL OF NHS PROGRAMS IN OPERATION—FISCAL YEAR 1982

Mr. TRAXLER. The bottom of page two indicates that the goal for 1982 is to begin 24 new NHS developments or expansions. This will result in a total of 166 neighborhoods in approximately 133 cities.

However, on page six I notice that the 1981 program accomplishments indicate that there will be approximately 152 neighborhoods in 122 cities served at the end of 1981.

Is that an inconsistency? If so, how do you reconcile that?

Mr. WHITESIDE. Sure sounds like it.

Mr. TRAXLER. You can do that for the record.

Mr. WHITESIDE. Yes. I can't explain it offhand.

It was just pointed out to me, that the accomplishments are for 1981 projecting to the end of this fiscal year and the goals are for 1982.

Mr. TRAXLER. They don't add up. That is our problem.

Mr. WHITESIDE. I see.

Mr. TRAXLER. We understand the difference between objectives and goals, but we want the figures to reconcile. That is your problem.

[The information follows:]

DIFFERENCE IN THE NUMBER OF CITIES/NEIGHBORHOODS ON PAGES TWO AND SIX OF THE BUDGET JUSTIFICATION

The number of cities/neighborhoods with NHS programs shown on page two is a goal for the end of fiscal year 1982. The number on page six refers to our expected accomplishments at the end of fiscal year 1981. The numbers are consistent; however, two factors with respect to program development should be explained.

1. Applications for NHS development are received on an ongoing basis. The number of program starts each year is an estimate of demand and the availability of program development staff. Starts are staggered throughout the year. The development process, from application to program incorporation, can take as much as 15 months; therefore, it is difficult to estimate when program development will be completed. We assumed 14 of the 28 fiscal year 1981 program starts will be completed in fiscal year 1982; the actual number may be higher.

2. Because the number of program expansions to additional neighborhoods within NHS cities is growing, the number of neighborhoods increases at a faster rate than the number of NHS cities.

Mr. TRAXLER. I have a question to be answered in the record at this point.

[The question and answer follows:]

Question. Page three of the jusifications indicates that another 1982 goal is to conduct formal training sessions for 75 executive directors and 75 rehabilitation specialists. What is the estimated cost of these training sessions?

Answer.The cost of these two training programs is estimated to be $704,000 in 1982. This includes all direct and indirect costs regardless of source of funding. About eight percent of these costs will be funded from local sources so that the cost in Congressionally appropriated funds will be slightly less than $650,000.

NEIGHBORHOOD PRESERVATION PROJECTS

Mr. TRAXLER. Page 45 of the 1981 hearing volume describes currently funded Neighborhood Preservation projects through March 19, 1980. Will you update that table for us with your latest available information for the record?

Mr. WHITESIDE. Yes, we will.

[The information follows:]

Funded NPP projects--Revised May 19, 1981

	Amounts
1977 grant:	
Jamaica NHS Queens home maintenance training program, New York	$32,000
Subtotal	32,000
1978 grants:	
Boston Mission Hill NHS congregate housing program, Massachusetts	45,000
Eugene municipal rent supplement program, Oregon	40,000
Savannah neighborhood action program, Georgia	50,000
Minneapolis southside NHS neighborhood crime prevention program, Minnesota	50,000
Heart of Chicago NHS in-fill housing program, Illinois	100,000
Milwaukee duplex as-a-starter home program, Wisconsin	30,000
Baltimore City 26(h) program, Maryland	50,000
Subtotal	365,000
1979 grants:	
Pueblo NHS rehab training program, Colorado	66,000
Providence SWAP (Stop wasting abandoned properties), Rhode Island	28,000
Baltimore NHS antidisplacement program, Maryland	46,000
Jubilee housing neighborhood preservation program, Washington, D.C.	50,000
NHS of Kansas City crime prevention program, Missouri	69,000
Oakland NHS self-help housing program, California	75,599
Chicago West Englewood NHS pilot program, Illinois	25,000
Boston Mission Hill amendment, Massachusetts	20,000
Subtotal	379,599
1979 commercial grants:	
Portland St. Johns business district stabilization program, Oregon	50,000
Baltimore York Road planning area committee revitalization program, Maryland	50,000
Philadelphia Citywide Development Corp., Pennsylvania	52,900
Subtotal	152,900
1980 grants:	
Providence Elmwood NHS energy conservation program, Rhode Island	32,650
Philadelphia Allegheny West NHS front yard improvement program, Pennsylvania	24,740
Ferry Village NHS energy conservation project, Maine	30,500
Salt Lake City NHS energy conservation project, Utah	32,550
Baltimore NHS community controlled rental housing project, Maryland	54,300
Chicago NHS cooperative conversion project, Illinois	45,000
Elmhurst scatter site in-fill housing project, California	10,000

Funded NPP projects--Revised May 19, 1981--Continued

	Amounts
1980 grants continued:	
Uptown Center housing management project, Chicago, Illinois...	65,200
Flatbush Development Corporation housing management project, New York...	70,000
NHS of Kansas City crime prevention project, Missouri...	28,000
Liaison Citizen, Inc., Los Angeles, California...	66,275
Foundation for Community Service Television, Los Angeles, California...	56,000
Oakland NHS owner-built housing project, California...	48,000
Subtotal...	563,215
1980 commercial grants:	
Chicago Greater Southwest Development Corporation, Illinois...	50,000
Philadelphia Citywide Development Corporation, Pennsylvania...	10,515
Subtotal...	60,515
1980 commercial development grant:	
City of Atlanta, Georgia...	100,000
Subtotal...	100,000
1981 grants:	
Baltimore Mutual Housing Association, Maryland...	50,000
Focus Productions, Oakland, California...	5,000
Santa Ana owner-built housing project, California...	25,000
Subtotal...	80,000
1981 commercial grant:	
Baltimore Govanstowne Business Association, Maryland...	31,900
Subtotal...	31,900
1981 commercial development grant:	
Bridgeport market study, Connecticut...	20,000
Subtotal...	20,000

NEIGHBORHOOD PRESERVATION PROJECTS

Selection and Evaluation of Promising New Tools

Neighborhood Preservation Projects Division's selection and evaluation of promising new tools is based on the recognition of unmet neighborhood needs and begins when an NHS or similar organization crafts a strategy to address one of these needs. Neighborhood Reinvestment selects a number of the most innovative solutions as Neighborhood Preservation Projects to receive modest demonstration grants and technical assistance. These projects generally serve a declining neighborhood and are on the modest scale appropriate to the NHS approach. The objective is to discover workable new neighborhood tools and chronicle the particular experience so that it can be replicated in other neighborhoods.

Energy Conservation

1. Elmwood NHS Energy Conservation Project
(Providence, Rhode Island)

The Providence Elmwood NHS is developing an energy conservation program that provides a comprehensive energy audit program and educational outreach. The energy audit will (1) evaluate the effects of physical problems on energy consumption, (2) determine the effects of living patterns and habits on energy consumption, and (3) analyze energy costs related to a building's cash flow. The educational outreach includes seminars, workshops and working models demonstrating how various energy conservation measures can actually be used.

2. Ferry Village NHS Energy Conservation Project
(South Portland, Maine)

Ferry Village NHS is systematically integrating energy conservation audit and repair procedures into its operations. Energy conservation is being tested as an alternative to sensitive code enforcement in the marketing of the NHS's comprehensive rehabilitation services. In-home discussions and workshops for small groups of residents also demonstrate cost-effective do-it-yourself energy conservation techniques.

3. Salt Lake City NHS Energy Conservation Project
(Salt Lake City, Utah)

Salt Lake City NHS is coordinating the full spectrum of existing energy conservation resources for its neighborhood. Partners with the NHS in this effort include: city and state governments, utility companies, schools, lending institutions, contractor trade associations, and community action programs. The comprehensive energy conservation plan evolved in the NHS neighborhood will serve as a model for other neighborhoods in the city.

Preventing Displacement

1. Baltimore NHS Anti-Displacement Project
(Baltimore, Maryland)

The Baltimore Patterson Park NHS is addressing the problems of displacement through the Home Maintenance Program and the Neighborhood Rental Services Program. The Home Maintenance Program provides routine and emergency home maintenance services to elderly and physically handicapped homeowners who are unable to perform routine maintenance. The Neighborhood Rental Service is a separate corporation formed by the NHS to acquire, rehabilitate, and rent problem rental properties on specific target blocks. The program combines acquisition loans from the NHS High Risk Revolving Loan Fund, Existing Section 8 Housing Assistance Payments and 312 loans. After rehabilitation the properties are rented to neighborhood residents.

2. Jubilee Cooperative Conversion Project
(Washington, D.C.)

Jubilee Housing, Inc., assists low- and moderate-income tenants in the Adams Morgan neighborhood by converting apartment buildings to cooperative ownership for existing tenants. The conversion process includes (1) acquisition, (2) initial rehabilitation to secure the buildings and improve the residents' living conditions, (3) development of tenant responsibility to increase apartment management and building maintenance skills among residents through a committee structure, (4) increasing building safety, (5) refinancing for break-even operation when existing rents can support a mortgage and operating expenses, and (6) conversion to resident cooperative ownership. Tenant participation is extensive throughout the Jubilee process.

3. Mutual Housing Conversion Project
(Chicago, Illinois)

The Chicago NHS's Redevelopment Corporation (NHSRC) is pursuing a pilot process which encompasses the concepts of mutual housing, turnkey development, and the attraction of private investment capital. NHSRC is renovating and stabilizing the tenancy of a moderate-sized apartment building for conversion to ownership by a mutual housing association.

Preventing Default and Foreclosure

1. West Englewood NHS Pilot Program for HUD/FHA Foreclosed and Abandoned Single-Family Properties
(Chicago, Illinois)

The Chicago West Englewood NHS project provides additional services to an NHS neighborhood experiencing substantial foreclosure and abandonment of FHA single-family insured mortgages. The strategy is for the NHS to intervene in the decision-making process that leads to foreclosure and abandonment, and to make specific recommendations to HUD at key points in the process. The elements that are added to the NHS model include: (1) default, credit, and prepurchase counseling, (2) property management, and (3) rehab and sale. The program is financed by a contract with HUD for area management broker services, lender contributions, and program grants.

Recycling Blighted Properties

1. Baltimore City 26(h) Project
(Baltimore, Maryland)

The City of Baltimore administers a program to acquire and rehab blighted, privately owned properties which the owner cannot or will not repair. In order to enhance the neighborhood stability, the city then sells the properties to people who will be owner-occupants. A Vacant House Advisory Committee composed of the NHS Board and housing officials selects properties which the city acquires, rehabilitates and sells at the fair market value. The difference between the fair market value and the actual costs is subsidized by municipal funds. The program operates in the Baltimore Govans NHS neighborhood.

New Construction in Older Neighborhoods

1. Chicago NHS In-Fill Housing Project
(Chicago, Illinois)

The NHS Development Corporation, a non-profit subsidiary of NHS of Chicago, is constructing single-family homes on scattered vacant sites in the Heart of Chicago NHS neighborhood. The city provides funds for acquisition, and local lenders provide construction and permanent mortgage financing. The NPP grant is being used for down-payment assistance to qualified home buyers in order to reduce the cost of construction and bring the sales price within the neighborhood real estate market. The NHS markets the houses, screens potential buyers, selects finalists by lottery and assists in loan processing and closing.

2. Oakland NHS Owner-Built Housing Project
(Oakland, California)

The Oakland NHS program is a single-family housing construction process that helps moderate-income homeowners to collectively build their own homes with technical assistance from the NHS and financing from private lenders. The process includes (1) acquiring 14 contiguous lots in the NHS neighborhood that are owned by the city, (2) recruiting home builders through the news media and neighborhood publicity, (3) obtaining conventional financing for qualified borrowers from local lenders, (4) developing house plans and cost estimates, (5) providing pre-construction training, and (6) supervising construction.

3. Elmhurst Scatter-Site In-Fill Housing
(Oakland, California)

An analysis of (1) job site security on scatter-site lots, (2) cost-reducing construction techniques, and (3) anti-speculation deed restrictions for scatter-site new construction in NHS neighborhoods. The report will identify essential elements for replication and outline a possible replication process.

Housing Management

1. Housing Resource Center
(Chicago, Illinois)

The Housing Resource Center offers technical assistance to the owners of small apartment buildings, improving their profitability so that reinvestment in the buildings is possible. The Center will train resident managers and offer financial management counseling to owners as part of its full range of tenant and landlord services.

2. Flatbush Development Corporation
(Brooklyn, New York)

The Flatbush Development Corporation's Housing Management Program is a non-profit community-based apartment management service. This program provides comprehensive professional management services to landlords on a fee basis, allowing the operating expenses of the service to be partially offset from management income. The institution of sound management practices will include planned reinvestment and maintenance while yet not forcing the displacement of present low- and moderate-income tenants.

Neighborhood Crime Prevention Strategies

1. Kansas City NHS Crime Prevention Project
(Kansas City, Missouri)

The NHS of Kansas City is attempting to reduce both crime and the fear of crime through two strategies: (1) organizing block clubs and (2) recycling vacant properties. Property reuse is the most significant element of this program because the highest proportion of neighborhood crime occurs near vacant properties. The NHS acquires property from the city and transfers it to neighborhood residents or non-profit groups who then redevelop the properties. The city provides additional acquisition funds to cover the cost of title searches, legal fees and property acquisition from private parties. Block clubs learn to use existing crime prevention resources such as Operation Identification, the Free Lock Program, Block Watchers and Home Security Audits. The NHS serves as an information and referral center, and crime prevention staff work as neighborhood advocates.

Neighborhood Environment Improvement

1. Allegheny West NHS Front Yard Improvement Project
(Philadelphia, Pennsylvania)

Philadelphia Allegheny West NHS is developing design standards and financial packages for making outside residential improvements on neighborhood blocks. A manual of design variations will be produced including graphics, lists of materials necessary, itemized costs and various options. The program offers partial rebates on the cost of exterior improvements as an incentive for complying with local code enforcement.

Neighborhood-Based Education

1. Liaison Citizen, Inc.
(Los Angeles, California

Liaison Citizen is a sixteen-week program which trains youth and adults in communications and citizenship skills. The program is designed so that trainees will better understand and function within the governmental/political system, thus enabling them to contribute positively to their communities. At the conclusion of the training program, graduates involve themselves in creative community projects. The program operates in the Crenshaw neighborhood and is coordinated with the Apartment Improvement Program.

2. Foundation for Community Service Television
(Los Angeles, California)

The Foundation for Community Service Television has formed a partnership with the Inglewood School Board, the Inglewood NHS and a local cable operator to offer local high school students the opportunity to use video programming to document the background and culture of their community. This knowledge base is designed to enhance their sense of community and enable them to address more serious pressures in the community such as deteriorated and substandard housing, vandalism and increasing neighborhood crime. The resulting video program will be made available to neighborhood viewers with free installation of cable T.V. service.

Commercial Revitalization

1. Philadelphia Corridor Manager Project
(Philadelphia, Pennsylvania)

The Corridor Manager Program provides services to three neighborhood merchant associations including those located in the Allegheny West NHS and adjacent to the East Frankford NHS. The Program (1) assists in developing incentive packages for merchant association memberships such as insurance programs and security services and (2) provides technical expertise in advertising, promotional activities, management and merchandising assistance. Three neighborhood commercial areas share the services of two corridor managers. This enables each area to benefit from professional expertise without having to assume the total financial responsibility for staff salary. The merchant associations will provide financial support to maintain the corridor managers after project development is completed.

2. St. Johns Business District Stabilization Project
(Portland, Oregon)

The City of Portland has a program in the St. Johns Business District which combines major physical improvements in the commercial area with work in the surrounding residential neighborhood. The program also seeks to secure reinvestment from existing merchants and to attract new businesses to the area. An Investors Guide has been prepared to market the area's economic and physical advantages. A targeted remodeling program provides free architectural assistance and financial incentives including the city's Investor Rehabilitation Loan Program and SBA.

3. York Road Planning Area Committee (YRPAC)
(Baltimore, Maryland)

YRPAC formulates development policies and strategies for a commercial area bordering the Baltimore Govans NHS. A small staff conducts planning activities and provides financial packaging to assist existing and potential entrepreneurs. Financial incentives include: (1) the city's low-interest rehab loan program, (2) SBA direct and guaranteed financing, and (3) a high risk revolving loan fund administered by Yorky Development Company, a subsidiary of YRPAC.

4. Greater Southwest Development Corporation
(Chicago, Illinois)

The Greater Southwest Development Corporation is coordinating and building upon existing neighborhood-based programs currently serving and contributing to the revitalization of the Chicago Lawn and West Lawn neighborhood business districts. This program is developing local business leadership, which is working to create a special service assessment area to cover staff costs, coordinate promotion, design standards, special building codes and other appropriate programs to support the businesses in the area.

AUTOMATIC DATA PROCESSING EQUIPMENT

Mr. TRAXLER. Under Administration on page five of your justifications, there appears the goal of developing and consolidating automatic data processing systems to maintain centralized accounting services for all Corporation activity. What current equipment do you have in this area?

Mr. BRYANT. We own no computer equipment. We use a computer service and time-sharing.

Mr. TRAXLER. What is your yearly cost on that, please?

Mr. BRYANT. I can supply that for the record.

Mr. TRAXLER. Fine.

Also advise us who you rent that from, please.

[The information follows:]

COMPUTER EQUIPMENT

At the present time, the Corporation does not own any computer equipment. Leased computer equipment consists of two CRTs and two low-speed printers. These are leased at an annual cost of $6,564 from Selecterm, Inc. of Arlington, Virginia. There are currently no plans to lease or purchase a central processing unit or other major pieces of computer equipment due to the space requirements and higher staffing and operating costs this would entail. This issue will be re-examined at such time when it appears likely that substantial savings could be realized by changing from a service bureau environment to an in-house computer operation.

MANAGEMENT INFORMATION SYSTEM

Mr. TRAXLER. Please describe how goal number one on page five differs from goal number four on page six which is, "to complete design and implementation of a comprehensive automated management information system . . ." Will that effort be contracted or performed by Corporation employees?

Mr. BRYANT. That is being performed in-house. We have a department program information and research that is responsible for the management information system. They will utilize the data processing equipment that we have, but it is a larger program.

Mr. TRAXLER. For the record, explain how goal number one on page five differs from goal number four on page six.

[The information follows:]

DIFFERENCE BETWEEN ADMINISTRATION DIVISION GOALS NUMBERS ONE AND FOUR ON PAGES FIVE AND SIX OF THE BUDGET JUSTIFICATION

Goal number one refers to data processing systems maintained by the Finance Department. They include the general ledger, budgeting, payroll and personnel control systems. These systems are currently provided by two service bureaus, ADP Network Services, Inc., and American Management Systems (AMS). Consolidation of these systems with one service bureau is planned, reducing the Corporation's EDP costs from the current level of around $90,000 per year to approximately $72,000 per year. A savings in staff effort can also be realized by this consolidation.

Goal number four refers to the automated Management Information System (MIS) located in the Program Information and Research Department. The MIS is a comprehensive system that contains data on all Neighborhood Reinvestment programs for use in program and budget planning and in program monitoring. The system contains baseline/historical data on each program and reinvestment activity entered on a quarterly basis. Information and reports generated from the system are also made available to NHS programs and to the public.

NEIGHBORHOOD REINVESTMENT GRANT TO NHSA FOR SECONDARY MARKET

Mr. TRAXLER. The middle of page 6 indicates that a 1981 accomplishment will be to provide a $600,000 grant for the additional capitalization of the loan purchase pool. Has this grant been awarded?

Mr. WHITESIDE. Yes, it has.

Mr. TRAXLER. In light of NHSA's planned effort to raise millions of dollars, why was that grant necessary?

Mr. WHITESIDE. In the first place, we don't have the millions of dollars. Our grant to Neighborhood Housing Services of America provides base capital and provides for a subsidy to bring the rate on loans they purchased from the NHSs up to an acceptable rate to an institutional investor. That $600,000 was necessary to do that.

The Equitable Life Assurance Society is the institutional investor that they have been dealing with thus far. They bought a million dollars in securities from NHSA two years ago and they have just committed to an additional $2 million.

This grant resource of capitalization and subsidy is what makes that possible.

We have a 2.5 to 1 ratio of loans purchased from NHSs for each dollar we invest. This is the secondary market concept.

USE OF GOVERNMENT NATIONAL MORTGAGE ASSOCIATION FACILITIES

Mr. GREEN. Mr. Chairman, while we are on the secondary market, have you used GNMA facilities at all and do the proposed cutbacks in GNMA affect your operations?

Mr. WHITESIDE. No, we have not used GNMA. We got a great deal of advice and assistance from the Federal Home Loan Mortgage Corporation in establishing a secondary market.

Since we are dealing with loans which are made to people who are by definition unbankable—they don't have the credit to be served by a financial institution—it has had to be its own special secondary market. There is no way GNMA or FNMA could take it. The average yield is 5.5 percent.

NEIGHBORHOOD SELF-HELP PROGRAM

Mr. GREEN. Fine. One of the programs that the Administration has suggested dropping at HUD is the Neighborhood Self-Help Program. I wondered whether you worked with that at all?

Mr. WHITESIDE. We haven't worked with them directly. They have made self-help grants to a number of NHSs. From that point of view that resource would no longer be available.

ADDITIONAL NHS PROGRAM TOTALS

Mr. TRAXLER. Page 6 indicates that by the end of fiscal year 1981, 13 apartment improvement programs, eleven homeownership promotion programs, five rehabilitation and sale programs, and a number of others, are going to be operational.

Would you detail for the record the locations of all of those programs that you have mentioned on page six, please?

Mr. WHITESIDE. I believe they are detailed in the chart that is the last appendix in my testimony.

Mr. TRAXLER. If so, fine. If not, do so.

IMPACT STUDY

Page seven indicates that the Corporation has completed an OMB requested study of the reinvestment impact of the Neighborhood Housing Services programs.

What is the cost of the study? Who performed it? What were the recommendations and results of that study?

Mr. BRYANT. We decided to conduct and have completed the study in-house, at a cost of approximately $175,000.

Mr. WHITESIDE. What was the contrast with the bids we got?

Mr. BRYANT. The bids were several hundreds of thousands of dollars above that. I think the least expensive bid we had would have been around $300,000 to do it on the outside. We have, however, used an advisory committee that has both reviewed the design of the study and will be reviewing the final results of the impact study.

Mr. WHITESIDE. May we submit the conclusions for the record?

COMPREHENSIVE BUDGET AND FINANCIAL PLANNING SYSTEM

Mr. TRAXLER. That is what we are just about to ask for.

[The information follows:]

OMB IMPACT STUDY

The OMB requested Impact Study has been completed and is currently under review by a Technical Advisory Committee. We anticipate the final report will be available by May 1, 1981.

The study is an attempt to determine the experience of the NHS partnership model and to report on their program experience to date. Specifically, it was designed to provide a description of NHS neighborhoods, analyze the participation level of the various partnership members, provide data on the change in investment level and other proxies for local market activities, assess the extent to which NHS is capable of delivering programs and generating new ideas, and the extent to which the program is transferable to a wide range of neighborhoods. The study was based on a field survey of 12 NHS programs, as well as survey material made available as a result of the HUD study.

In addition, two of the Corporation's newer programs, the Apartment Improvement Program and the Home Ownership Promotion program, were examined.

A short summary of the report follows.

SUMMARY

THE IMPACT OF THE NHS PROGRAM

In the sections below, we summarize the impact of the NHS program first on the major actors involved in the program - residents, lenders, and city officials; and then on certain neighborhood characteristics.

Impact on Residents

Making comparisons between the NHS program and other programs in resident impact is difficult. The NHS program, for example, is not a mass membership organization. Neighborhood organizations that involve five percent of neighborhood residents in any direct activity, for example, are unusual. The Urban Systems data on the NHS program show that the NHS was successful in reaching 37 percent of the homeowners and 16 percent of the renters in their neighborhoods. The majority, 64 percent, of the residents who were aware of the program, felt the NHS was doing a good job. Only 11 percent rated the effectiveness of the NHS program as poor.

Part of the reason for the substantial penetration of the NHS program as far as awareness, inquiry, and use of services is that the NHS program for residents is viewed as an extensive one-stop home improvement and financial service as well as a location for specialized services for the homeowner.

We found that in every program, residents were active in playing their roles, though the degree of activity varied substantially, in part because of the age of the program and its maturity and partly based on other factors.

We asked residents of the NHS programs to compare their involvement in the NHS program with their involvement in other neighborhood programs. They felt that the NHS program had more structured goals, the residents participation was more substantial and meaningful, and the professional and administrative staff was more accountable to them.

Impact on the Financial Industry

The Neighborhood Housing Services model has a specific role for lenders which mirrors the urgings of regulatory institutions and speaks to the concerns expressed by neighborhood and advocacy groups. The model essentially asks lenders to lend at conventional terms to all bankable clients in the NHS service area -- both first mortgages and home improvement loans. It also asks that lenders participate in NHS neighborhoods -- either directly through participation on the NHS board and committees or indirectly through assistance to the NHS staff on lending practices and other administrative issues.

There is a substantial level of participation of lending institutions in the program, both through individual participation on NHS boards and through contributions to the operating budgets.

Another way to assess the impact of the local financial industry on the program is to report their perceptions of the program.

Several lenders said that the NHS experience has changed their perception of the credit potential of low and moderate income customers. Lenders pointed out, however, that they were not changing their underwriting criteria, though they do indicate a greater understanding of how to read financial and credit background of these families and, as a result, have learned how to be more flexible.

Several lenders praised the counseling and referral services of the NHS program and reported that they had received a number of very sound loans through the NHS program.

Several lenders mentioned the value of code enforcement and rehab and construction assistance aspects of the NHS program.

The Impact of NHS Programs on Local Government

Even though the NHS is a nongovernmental program, the city is an important actor in the NHS program and a partner without which the program cannot be successful. In the NHS model, the city's role includes providing assistance to the development of the program, usually through a one-time contribution of $35,000 to $50,000.

Second, the city is expected to make specific commitments to capital improvements and the coordination of those improvements with the NHS program.

Third, cities are asked to establish a sensitive and systematic code inspection process that would not only enforce health and safety regulations, but would do so in a way that would encourage and help residents identify rehabilitation needs and to make those improvements in a manageable way.

Finally, cities are asked to serve on the NHS board and to contribute to the Revolving Loan Fund usually through a contribution from Community Development Block Grant funds.

The NHS program is also important as a delivery mechanism of city services.

Another way of looking at the NHS in relation to local government is to ask the question whether the experience with the NHS program in these cities that have had programs have affected the type of neighborhood strategy the city has developed. In each of the cities, we looked at specific elements of other local

neighborhood programs developed after the NHS was established to see how many of the cities had neighborhood program elements that mirrored aspects of the NHS model. In several cities, the NHS program has had a substantial influence on the kinds of activities that local governments sponsor for other neighborhoods. While it is not possible to say, of course, the NHS is entirely responsible for these activities, the interchange in personnel documented in the reviews, as well as the specific aura and tone of the programs do suggest that there is some association between what cities developed as their programs after 1976 and the NHS model in those cities.

Impact on the Neighborhood

While most of the assessment in this report is of experience with the partnership, we also looked at indicators of actual changes in the neighborhood. These major neighborhood impacts are summarized in the sections below.

Incidence of Reinvestment -- According to the Urban Systems data, 65 percent of the owner-investors in a sample of NHS neighborhoods made some investment in their homes during the year. This is significant as the median investment amount was $1,058, almost twice the national average of $567 invested by central city homeowners.

Code Enforcement and Inspection and Reinvestment -- It is widely agreed among those interviewed in the study that an active code inspection program with the appropriate enforcement is an essential element to neighborhood reinvestment. Specifically, it is expected that rehabilitation will be more widespread when strong code enforcement exists. In addition, it is assumed that code enforcement provides an incentive for owners who might not otherwise have a reason to invest, it acts as a lever against absentee-owners, it reassures lending institutions about maintenance of minimum property standards, and, in many cases, it helps to eliminate eyesore buildings through rehabilitation rather than demolition.

Lending Activity -- Since 1966 urban neighborhoods such as the ones in which NHS programs have been established have experienced a steady decline in the number of conventional loans from lending institutions. Financing has increasingly been from other types of lenders, including mortgage companies, finance companies, and others. Data from Cleveland gives us an indication of the trends in that city with respect to lending activity. In Cleveland, we have data from 1975 and 1978 on the type of first mortgages. 1975 would be the first year for which a pre-NHS experience is noted and 1978 would be the most recent data available. In 1975, conventional mortgages accounted for 57 percent of first mortgages in the NHS (near Northwest) neighborhood in Cleveland; FHA and VHA mortgages accounted for 43 percent. These totals do not include owner financed, land contract, and non-institutional arrangements. The number of such mortgages is not known.

By 1978, conventional mortgages accounted for 90 percent of home mortgages and FHA and VHA accounted for 10 percent of institutional first mortgages. There was a modest increase in volume.

Revolving Loan Fund -- The Revolving Loan Fund makes loans available to clients considered unbankable by normal credit standards. These are clients whose income is too low or whose credit obligations are too substantial to meet normal credit underwriting criteria for local lending institutions. These criteria, of course, change from time to time and from location to location, depending on the availability of credit, interest rates, and other factors.

An analysis of 876 loan cases from 12 programs in our sample was performed. The mean loan amount is $5,000 with a mean monthly payment of $52. While the mean loan amount is $5,000, 30 percent of the loans are for less than $2,000. Only 2-1/2 percent are for more than $20,000. The number of clients who get low interest rates (less than six percent) is significant; in recent years the interest rates have moved upward and only about half the clients have interest rates at six percent or less. The typical rate in 1979 was eight percent. Many fewer loans now are for the three-five percent common in the mid-70's.

The delinquency rate is 6-1/2 percent and the default rate is 1.8 percent. These delinquency and default numbers do not seem out of the range of expectation, however. While they are significantly higher than the rate experienced in conventional lending (.2%) or insured lending (.4%), they are not out of line with government programs designed to support homeowner rehabilitation among low and moderate income families such as the HUD Section 312 program where the delinquency rate is 6.4 percent. It is not surprising that in a program dedicated to helping unbankable clients get loans to do repairs, that a significant number of them would not be able to pay the loan back in a timely way. These rates have not resulted in a general weakness of the program. None of the programs have experienced bankruptcy and since liens are available against the property, funds can be recovered.

Summary of NHS Impacts

Analysis of the typical program suggests that in a five-year period more than $10 million of reinvestment would have occurred. Eighty percent represents private reinvestment, most of which is made by individuals in mortgages, home improvement loans, or direct cash expenditures within the neighborhoods. (The value of "sweat equity" is not included here.) Most of the rest of the money, 18 percent, is made by state and local governments in the form of capital improvements in the neighborhoods and local public activity. (In-kind contributions and staff time are not typically reflected.)

Looking specifically at one year, the data available for 1979 suggests that a total reinvestment by owner-occupants in 102 NHS neighborhoods was in excess of $92 million. This total is based on the average of 2,600 households in the typical NHS neighborhood, half of whom are owners and 64 percent of whom invested in their property for an average of $1,058. This total is obviously only partial as it includes only owner-occupants. It also does not include public improvements or improvements made by institutions and nonprofit organizations. We do not include these because we have no evidence that would allow us to reliably make an estimate for what the total might be.

Neighborhood Reinvestment's Support Activities

Up to this point, we have looked at the program in terms of the activities of partners and the impact of the program on the NHS neighborhood. In this section, we assess the various support activities of Neighborhood Reinvestment.

Neighborhood Reinvestment, in contrast to most federal programs, has provided a more intensive range of technical and support services such that as a result none of its programs have been disestablished. In fact, two of the twelve programs in our sample -- Oakland and Racine -- experienced critical problems that ordinarily would have caused them to cease operations. In both cases,

the programs survived because Neighborhood Reinvestment was able to provide critical technical assistance in program implementation redesign that made it possible for the programs to deal with crises and to return to full program status -- much stronger for having gone through the process.

Neighborhood Reinvestment has a number of activities that might be listed under the category of support. These include: annual assessments and frequent contacts with support officers; workshops for residents, executive directors, lenders, appraisers; annual conferences; newsletters and other materials. Neighborhood Reinvestment operates a training center in Chicago that provides intensive training for executive directors and rehabilitation specialists.

Neighborhood Reinvestment also has available technical services officers who are available to help neighborhood programs in the specific day-to-day activities associated with operating their program and makes these staff available not only for short-term crises, but for extended periods when programs go through transition from one executive director to another, for example.

Support is viewed not only as a means to respond to crises but as a way to help programs meet particular opportunities. In this regard, support services might be available to help local programs fashion a treatment for unique problems in the neighborhood such as small multi-family building rehabilitation or to make a special arrangement for using Section 8 or for helping to interpret the regulations of some programs, or to develop fund strategies.

THE APARTMENT IMPROVEMENT PROGRAM

The program from which the Apartment Improvement Program was derived was designed in the mid-70's to address blighted privately-owned multi-family buildings within well-defined neighborhoods in the city of Yonkers. Finding a number of its neighborhoods dotted with deteriorating apartment buildings which were exerting a significant blighting influence on the rest of the neighborhood, the city program evolved a set of increasingly sophisticated analytical tools including a computerized real estate investment model to analyze the financial condition of buildings and to stimulate various treatments. Plans were developed for treating these buildings that involved a partnership of the city, tenants, community representatives, apartment building owners and managers, and representatives of financial institutions.

Neighborhood Reinvestment monitored and documented this process and developed its Apartment Improvement Program (AIP) which has been applied to a number of cities including Hartford, Connecticut; Mount Vernon, New York; Los Angeles, California; Dallas, Texas; and several other cities.

The most extensive program experience associated with an AIP is in the Yonkers program. In Yonkers, 65 buildings have gone through the AIP treatment. These buildings have an average of 65 units and range in size from 17 units to 250 units. Approximately 4,200 households have benefited from the program. Program records indicate that the buildings were in various stages of disrepair but most had significant maintenance and financial problems. Problems in the buildings have been addressed through a comprehensive combination of temporary tax abatements, restructured financing arrangements, and commitments by owners for

additional equity. Tenants have also agreed to accept rent increases -- increases that are in line with existing inflation levels in housing and the local rent stabilization regulations.

Little displacement has been associated with the projects and substantial increases in rent have applied only to apartments which were previously vacant.

The program seems to meet the needs of all of the partners involved. In exchange for a temporary reduction in taxes, the city in the long run gets a building that generates substantially more taxes than was the case prior to AIP treatment. The city also gets some stability in the neighborhood and an anchoring of reinvestment that has potential for generating additional reinvestment activity and revenue. This has been documented to have occurred in Yonkers, the city with the longest experience, where owners in other buildings not in the AIP program made improvements once they saw reinvestment occurring in the neighborhood.

The tenants in this arrangement get improved housing with some limit on the additional rent burdens that they might face, protection from displacement, and improved services in the neighborhood.

The lenders are able to maintain a building in their active portfolio without it going into foreclosure. While they may make mortgages at below market rates, losses are minimized when the current mortgage does not go into default, or a foreclosed building does not have to be disposed of at a substantial loss. The building, also does not act as a destabilizing element in the neighborhood where other buildings not yet in trouble might experience financial difficulty were the neighborhood to continue in its downward trend.

Property owners, while limited in their ability to raise rents or to take money out of the building, are assured of the financial stability of their property and are given help and support in meeting the financial challenges and high costs. They are also given the opportunity to refinance their property and they are assured a reasonable, if not ideal, return.

The AIP model has worked well in its limited replication. It is a model that can be generalized to a number of other cities in that it involves relatively little public investment. Only about $40,000 a year in program administrative costs in the cities are involved. While the treatment may sound tantalizingly simple, there is a good deal of work that goes into the analysis of buildings, the identification of partnerships, the negotiation of arrangements, the certification of improvements, and other activities that are required to obtain and to maintain the trust and commitment of the various partners.

The program offers an opportunity for reinvestment to be extended to a whole new range of neighborhoods than where the NHS was originally applied. The ability to treat large apartment buildings means that the reinvestment programs (including AIP when combined with NHS) can work in a larger number of neighborhoods and in neighborhoods with more complex problems. This particular tool also provides a way for the city to make a substantial contribution to reinvestment in conjunction with neighborhood groups and private property owners.

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THE HOME OWNERSHIP PROMOTION PROGRAM

Neighborhood Reinvestment's Home Ownership Promotion (HOP) program is an additional component for an NHS that is interested in enlarging homeownership opportunities for existing neighborhood tenants. Building on the NHS partnership of residents, lenders, city representatives, the HOP program systematically extends the NHS services to a population of buyers in target areas where increased owner occupancy would stimulate housing rehabilitation.

The most program experience of the HOP program is in Baltimore, the original site and model for HOP. Between 1975 and 1980, the level of homeownership in the NHS neighborhood (Patterson Park) where the first HOP exists was raised significantly. Four-hunder-twenty-eight (428) new home buyers were assisted by the NHS program through HOP-related activities. Most of the purchases were made from investor-owned properties and a majority of the buyers were previously residents in the neighborhood. Another substantial portion of these properties were vacant properties.

Because HOP is an integral part of the NHS program, it is not possible in most cases to separate the HOP impact from that of the NHS program, but some of the points listed above about the improvement of vacant housing, the assistance of renters to become homeowners, and the use of NHS resources to provide interim financing to assist homeowners are substantial additional impacts to those that have been identified previously from the NHS program.

The HOP program in Philadelphia, Reading and other cities are not far enough along to have the substantial data associated with program impact that exists in Baltimore. The Philadelphia program, however, is given fuller treatment in the complete impact study.

What comes across in the HOP study is a substantial strengthening of the NHS model in neighborhoods where homeownership is relatively low, where large numbers of properties are not up to standard because absentee landlords are not interested in them, or where soft real estate markets exist. This is no panacea and more complicated dynamics exist than can be summarized here. The HOP program can be a catalyst to reversing these indicators by making the neighborhood much more of a reflection of the interests and priorities of resident homeowners. Because it is an integral part of the NHS program, it can be applicable to a wide range of neighborhoods and represents a flexible tool that NHSs can apply to reverse some of the problems for which the HOP program was designed.

The HOP program represents a tool to prevent displacement in the neighborhood since it offers the chance for existing residents to become owners as a part of the general reinvestment program in the neighborhood. While in some cases it would be important to attract outside residents or outside buyers or even middle-class buyers, this is not a condition for the success of the program and, as the Baltimore experience suggests, need not occur to any substantial degree at all.

The program also has the advantage of being relatively cost-effective. It is estimated that it costs approximately $700 to assist the tenant to buy a home, not taking into account the value of all the assistance that would be provided through other sources such as the lending institution. This one-time expense, for example, is less than one-half of the yearly cost of a Section 8 existing certificate.

Another measure of cost-effectiveness is to compare administrative costs to reinvestment generated. With an expenditure of $30,000 for example, the Baltimore HOP program was able to generate reinvestment of $115,000 in property purchases and $62,000 in rehabilitation. Looked at this way, each administrative dollar generates directly about $5 in private reinvestment.

Generating Reinvestment Tools

One of the major Congressional mandates for Neighborhood Reinvestment was that Neighborhood Reinvestment generate additional tools to promote reinvestment. The responsibility for this is in the Neighborhood Preservation Projects (NPP) Division of Neighborhood Reinvestment. NPP operates by identifying additional tools that would be helpful in dealing with specific problems experienced by urban neighborhoods, problems for which the partnership approach and the educational process might be helpful. It involves the selection of a program, provision of some limited funding, monitoring, evaluation, trial replication, and then full replication of the program. In the NPP assessment of the program, several critical questions are asked: whether the program works, how the program works, and whether the program in its present or in some modified form would be transferable to other neighborhoods. In monitoring the programs, Neighborhood Reinvestment makes an assessment of these questions and prepares documentation and a developmental process that would make this come about.

Five Neighborhood Preservation Projects have been developed in the twelve cities in our study. These are projects which are now being replicated. They include the Home Ownership Promotion program, Home Maintenance program, the NHS Foundation, Owner-Built Housing, Baltimore Anti-Displacement program, among others. All these programs are detailed in the full report.

Mr. TRAXLER. The Corporation has also implemented a comprehensive budget and financial planning system in 1981. Elaborate on that statement. What does it involve?

Mr. BRYANT. I think it is a question of working with each division and department and through the management structure; second, to involve middle level management in the budgetary process; developing a budget calendar, providing training for middle managers and department heads that are in various parts of the country, and bringing the level of budget participation and preparation down to the local level within the organization so that we have a more realistic and comprehensive planning process.

So it has really been more in expanding involvement in the budget planning.

Mr. WHITESIDE. I might add, one of the values of that involvement is that we have a good understanding of the budget on the part of every manager and a better ability to get everyone operating within it, if they are part of the planning.

Mr. BRYANT. We also developed planning tools so we can send out more information on historical costs and do a better job basically in our budget estimates.

SECTION 8 ASSISTANCE—FISCAL YEARS 1981 AND 1982

Mr. TRAXLER. Page 39 of the 1981 hearings indicates that approximately 2,000 Section 8 units were devoted to NHS areas. How many Section 8 units do you hope to receive in 1981 and 1982?

Mr. WHITESIDE. Because of the changeover of Administrations, those are very much unknowns now. A request was in process for 1,000 units in 1981, but there is a hold on that until the new assistant secretaries and deputy assistant secretaries are in place.

Mr. TRAXLER. The same would hold true for your hopes for 1982, I am sure?

Mr. WHITESIDE. We have had no discussion of 1982.

FISCAL YEAR 1982 OMB BUDGET REQUEST

Mr. TRAXLER. What was your budget request to OMB in 1982?

Mr. WHITESIDE. The enhanced level, $23 million. We thought that was a manageable level which we could reach without damaging our non-bureaucratic methods.

Mr. TRAXLER. $14.9 million would indicate your current level?

Mr. WHITESIDE. That was the level they approved which was just a shade above current.

Mr. BRYANT. It was actually a shade above the minimum. Our current would have been higher in order to allow for all increases in costs.

Mr. TRAXLER. You could do more if we gave you more?

Mr. BRYANT. That is true also.

Mr. WHITESIDE. Let me also emphasize, without damaging the non-bureaucratic nature of the program.

INTEREST INCOME

Mr. TRAXLER. Page 9 of the justifications indicates that an additional source of funding included in the printed budget is a projection of interest earned.

The 1982 amount is $560,000, which compares with $503,000 in the 1981 estimate, and $936,000 in the 1980 actual.

Incidentally, I am sure you are doing better than $503,000 for your 1981 estimate.

Mr. WHITESIDE. Yes.

Mr. TRAXLER. I would be very disappointed if you weren't.

The interest is primarily monies received from the amounts appropriated that are placed in the Federal Home Loan Bank System securities until required for operations. Is that a correct statement?

Mr. BRYANT. Yes.

Mr. TRAXLER. Tell us why your estimates don't seem to be targeting too well. Why is 1980 so much more than 1981 and 1982? How are you actually doing thus far in 1981? What do you foresee in 1982 in terms of interest?

Mr. WHITESIDE. And when you learn the answer from us, you will tell the Federal Reserve.

Mr. BRYANT. At the time the estimate was made, the $503,000, it was almost a year before we would actually receive the funds.

At that time, we consulted with people in the financial community on giving a projection of an interest rate, and the interest rate we used was considerably lower, but nevertheless realistic, had certain conditions prevailed, to assume that that is what the earnings would have been at that time.

Subsequently, interest rates rose dramatically and we took advantage of that.

Likewise, for 1982, we are estimating a figure—again a year out at the time that figure was estimated—and I think I would still stick with it—an interest rate lower than what the market happened to be at this time, but I think the prevailing view is that interest rates will be lower at that time.

Mr. WHITESIDE. We feel it is a prudent thing in estimating program income to estimate conservatively so that we don't enter into

any kind of contractual or personnel growth or what-have-you that would later not be supported by the actuality.

It is better to err on the low side than the high.

APPROPRIATIONS SCHEDULE

Mr. TRAXLER. Your apportion is an annual one and not quarterly, is that correct?

Mr. WHITESIDE. Yes.

Mr. TRAXLER. Why is that? Why aren't you on a quarterly basis like other agencies?

Mr. WHITESIDE. It is the way it was stated in the chartering legislation.

Mr. TRAXLER. So your legislation permits you to draw your full annual appropriation early in the year, not on a quarterly apportionment like most government agencies?

Mr. WHITESIDE. Correct, but it is not right at the beginning of the year. It doesn't come until the final action is taken on the budget, which can be well into the year as it was in this past year.

Mr. TRAXLER. If the Congress reduced your 1982 appropriation by, say, a million dollars, you would be funded at nearly the same level due to income received from this interest account, is that correct?

Mr. WHITESIDE. The dollars would be the same, but in actuality it would mean a reduction in our level of operations by a million dollars.

As you will note in the materials we submitted, the fortunate receipt of interest earnings in fiscal year 1981 plus some carryforward of interest earnings from the previous year results in the requested increase in Federal appropriations bringing about merely a four percent increase in our resources from all sources, so any reduction in Federal funding would represent a real reduction in the level of operations.

PROFESSIONAL SERVICES

Mr. GREEN [presiding]. On page 11, the total in 1982 for professional services is $572,000 versus $974,000 for 1981. Can you explain the contrast?

Mr. BRYANT. The difference between 1981 and 1982?

Mr. GREEN. Yes.

Mr. BRYANT. There are a number of reasons—one is a reduction in accounting and data processing services, because we developed and will be developing in the rest of 1981, some of the systems that we are using so that we will not have that cost in 1982. There is a reduction in staff development costs because of efforts that are being made this year in the training area.

I think those are basically the two areas which would account for that reduction.

IMPACT OF THE FISCAL YEAR 1981 BUDGET REDUCTION

Mr. GREEN. Between the specific reduction to your 1981 Appropriation bill and the two percent general reduction pursuant to Section 412 of the 1981 HUD-Independent Agencies Appropriation

Act, you lost $967,000, compared with your original budget estimate.

Could you briefly indicate now—and in more detail for the record—how that was distributed?

Mr. BRYANT. Yes. I believe the Committee has that schedule. We will also supply it for the record.

[The information follows:]

NEIGHBORHOOD REINVESTMENT CORPORATION, FISCAL YEAR 1981 BUDGET CUT

[By line item and program]

Expense categories/account description	Neighborhood preservation projects	Neighborhood preservation development	Neighborhood housing services	Neighborhood program support, training and technical assistance	Administration	Total
Salaries and employee benefits	−$3,000	−$7,000	−$23,000	−$14,000	−$17,000	−$64,000
Professional services				−204,000		−204,000
Grants and grant commitments				−600,000	−99,000	−699,000
Total	−3,000	−7,000	−23,000	−818,000	−116,000	−967,000

EFFECT OF BUDGET REDUCTION ON TRAVEL

Mr. GREEN. The Budget Appendix on page I–V 109 indicates the 1981 current estimate for travel to be $2,362,000, including funds from sources other than the appropriation.

The total requested for travel in the 1981 appropriation was $2,083,000 and the total for all sources was $2,254,000.

Are you saying that none of the $967,000 reduction was applied to travel?

Mr. BRYANT. I would have to look at that specifically. I believe it would have been. None was applied to travel, that is correct.

TRAVEL EXPENSE LIMITATIONS

Mr. GREEN. Will the Corporation have any difficulty abiding by the provisions of Section 401 of the 1981 HUD Act?

Mr. BRYANT. With respect to travel?

Mr. GREEN. Yes, the limitation on travel.

Mr. BRYANT. No. We will adhere to that.

Mr. WHITESIDE. We will adhere to it even if we do have difficulty.

Mr. GREEN. Last year in discussing Section 401 of the HUD Act during the hearings, Mr. Whiteside repeatedly distinguished employee travel from other travel expenses. Are you aware that the 1981 Act has been modified slightly? Section 401 no longer applies solely to employee travel, but now applies to all travel expenses.

Mr. BRYANT. Yes. We are assuming that.

CONTRIBUTIONS OF THE FEDERAL HOME LOAN BANK SYSTEM

Mr. GREEN. Page 11 of the justifications reflects the Federal Home Loan Bank System contribution and the local source contribution to the operations of the corporation in 1982.

Although the projection is for the Bank Board contribution to increase to $1,264,000, in 1980 the Bank System contribution was only $901,000 instead of the $1,081,000 planned.

How accurate do you believe the 1982 estimate is?

Mr. WHITESIDE. Wasn't that reduction caused by a change in——

Mr. BRYANT. No, I don't believe so. There is a year in between there. It was $901,000 in fiscal year 1980; in fiscal 1981 it will be $1,214,000, and then for 1982 it is estimated to be $1,264,000.

Mr. GREEN. How accurate do you believe that to be in view of the shrinkage in 1980 of Bank system funds?

What caused that 1980 shrinkage?

Mr. WHITESIDE. I don't think there was a shrinkage.

Mr. BRYANT. This may go back to the year—I will have to check it for the record, but there was a year in which we received a large increase which was for a specific purpose.

There was no cutback in the funding of the type of expenses that the Bank System has been funding. There have been some increases over the last couple of years because that particular budget funds our office space, and those expenses have increased.

Mr. GREEN. For the record, if you could clear that up, I would appreciate it.

[The information follows:]

FEDERAL HOME LOAN BANK SYSTEM CONTRIBUTIONS TO NEIGHBORHOOD REINVESTMENT

The Federal Home Loan Bank System (FHLBS) contributions for fiscal year 1982 of $1,264,000 is a valid estimate. This is based on an estimate of the expenses normally funded by this source of funds and represents about a ten percent increase over fiscal year 1981 contributions.

The actual revenues received from the FHLBS for fiscal year 1980 is $948,000. The $901,000 previously reported was a preaudit figure. These amounts differ from our earlier estimate of $1,081,000 because of a difference in accounting periods and method of receiving FHLBS funds. Funds have been received from FHLBS on a calendar year basis, and such funds are received as a reimbursement of actual expenditures. The difference in our estimate of revenues for fiscal year 1980 and actual receipts is based on the timing of certain expenditures in the last quarter of 1980. A major expenditure of $83,761 for furniture in our Washington office was made in the last quarter of the calendar year and is thus not reflected in the Corporation's fiscal year 1980 expenditures or revenues.

Effective January 1, 1981, the FHLBS budget will be on a fiscal year basis, consistent with the Corporation's fiscal year ending September 30.

LOCAL SOURCE CONTRIBUTION

Mr. GREEN. The local source contribution also fell short of plan in 1980. The target had been $1,155,000 while the actual was $913,000. To what do you attribute this? Is the poor S&L profitability picture a serious threat in this regard?

Mr. WHITESIDE. No. That projection of local source income is a very difficult one to make because the source of that local income is almost entirely contracts with local governments wherein they make a contribution to the original development costs of the NHS.

They are done one by one, negotiated one by one with the cities. There is variation, depending upon the city's ability and willingness, and variation, depending upon the complexity of the developmental process we are getting into.

So we make the best estimate we can, but we can't rely very much on its validity.

GRANT DISBURSEMENTS

Mr. GREEN The bottom of page eleven contains a line for other grants and includes $132,000 of Federal appropriation and $208,000 of interest income.

Please explain how these funds will be used.

Mr. WHITESIDE. Would you like that for the record? It is a long list of small grants.

Mr. GREEN. Fine.

[The information follows:]

NHS DATA GATHERING AND EDUCATIONAL GRANTS

NHS intern/data gathering grants—$96,000

Grants of about $2,500 each to 38 NHS programs to underwrite the expense of student interns. This program will establish relationships with local colleges and universities which are expected to provide a future source of trained NHS staff members. The interns will assist in NHS data gathering, preparation of materials for Neighborhood Reinvestment's Management Information System and other management assistance activities.

NHS educational grants—$244,000

Grants averaging $2,000 each to approximately 122 NHS programs to defray the costs of attending training sessions, educational workshops, and conferences. These grants allow operating NHSs to obtain needed job-related training for their staffs in such areas as: bookkeeping, housing rehabilitation, and general adminstration. In addition, these grants assist NHS staffs and board members in remaining current on the latest tools and techniques for neighborhood revitalization through participation in conferences.

NUMBER OF EMPLOYEES

Mr. GREEN. Page 14 contains the salaries and employee benefits justification for the Corporation.

The first line indicates that funds are required for 216 permanent employees and at least 33 local coordinators. This totals 249. However, page I-V 109 of the Appendix to the President's Budget indicates that total compensable workyears for the corporation in 1982 will be 240.

What accounts for the difference?

Mr. BRYANT. The difference on the printed Budget I-V 109, the 216 and 240, was—the 216 is consistent in terms of permanent, full-time staff.

The differences in those figures are the local coordinators. I underestimated the number of local coordinators, the temporary people we use for local developments.

Mr. KNIGHT. They are employees for nine months of the year.

Mr. GREEN. Which one is the accurate one then?

Mr. BRYANT. It is still an estimate, but I would say the 33 is the most recent estimate of the number of local coordinators that would be hired.

Mr. GREEN. The Appendix also indicates that the full-time equivalent of overtime and holiday hours for 1980 and 1981 will be ten and it will be eleven in 1982. Last year's justifications indicate that 1980 and 1981 would have only one full-time equivalent of overtime and holiday hours.

What accounts for the difference?

Mr. BRYANT. I think those charts changed, I don't have the other one here.

Mr. GREEN. Please supply that for the record.
[The information follows:]

DIFFERENCE BETWEEN LAST YEAR'S JUSTIFICATION AND THIS YEAR'S REGARDING OVERTIME AND HOLIDAY HOURS

The difference in the figure shown for overtime and holiday hours in the fiscal year 1981 and fiscal year 1982 budget submissions is due to the fact that the fiscal year 1981 estimate was calculated incorrectly. The correct calculations to determine the number of full time equivalent of overtime and holiday hours in fiscal year 1981 and fiscal year 1982 are as follows:

1981 holidays and overtime

225 Positions × 11 Holidays = 2475 Person-days.
2475 Person-days/261 Person-days per year = 9.5 FTEs.
Overtime = 1300 Person-hours/year (est.).
1300 Person-hours/2080 Person-hours per year = .6 FTEs.
9.5 FTEs + .6 FTEs = 10.1 FTEs.
10.1 FTEs rounded to nearest FTE = 10 FTEs.

1982 holidays and overtime

240 Positions × 11 Holidays = 2640 Person-days.
2640 Person-days/261 Person-days per year = 10.1 FTEs.
Overtime = 1400 Person-hours/year (est.).
1400 Person-hours/2080 Person-hours per year = .67 FTEs.
10.1 FTEs + .67 FTEs = 10.8 FTEs.
10.8 FTEs rounded to nearest FTE = 11 FTEs.
The number of paid holidays has not changed and the only inconsistencies in these numbers are due to the error in the 1981 submission.

FIELD OFFICES

Mr. GREEN. Page 14 also indicates that the Corporation's staff is currently located in Washington, D.C. and there are 18 field offices. The 1981 justifications indicated there were only 12 field offices. We are interested in why you need six more and where they are located.

Mr. WHITESIDE. Strictly an economy measure to have people travel shorter distances. Some of them are one, two, and three-person offices just to get people out where the work is.

Mr. GREEN. Could you give us the list?

Mr. WHITESIDE. Yes.

[The information follows:]

NEED FOR AND LOCATION OF FIELD OFFICES

The budget justification for fiscal year 1981 shows a net of six different office locations. In fact, the offices shown in this years budget justification for fiscal year 1982 already exist. Field offices are located near where current project development projects are taking place. These are not usually known before the start of the fiscal year. Our budget justification illustrates the location of existing offices. Some of these locations will change during the fiscal yar. There are seven new locations shown in Newark, New Jersey; Cleveland, Ohio; Lynchburg, Virginia; Evansville, Wisconsin; Pueblo, Colorado; and Salt Lake City, Utah. An office in San Diego, California was closed during fiscal year 1980.

WASHINGTON, D.C., STAFF

Mr. GREEN. The 1981 justifications reflected 89 positions in Washington, D.C. The 1982 justifications reflect 102 positions. Why?

Mr. BRYANT. Some of the people that are in Washington are also involved in program activity, but I can detail the types of positions that cause that increase for the record.

Mr. GREEN. If you would, please.

[The information follows:]

WASHINGTON, D.C., STAFF DISTINGUISHED BY MAIN OFFICE ACTIVITY AND FIELD SERVICE ACTIVITY

The schedule below indicates the number of positions located in Washington, D.C. by their functional activity. In addition, the schedule indicates whether or not their duties are primarily those related to administrative, management or technical responsibilities shown under Main Office Activity or are primarily programmatic in nature as noted by the Field Service Activity designation. Programmatic activities that results in staff being located in the Washington, D.C. office vary from year to year.

NEIGHBORHOOD REINVESTMENT CORPORATION, WASHINGTON, D.C., STAFF DISTINGUISHED BY MAIN OFFICE ACTIVITY AND FIELD SERVICE ACTIVITY, FISCAL 1981 AND 1982

	Assignment			Assignment		
	Total 1981	Main office activity	Field service activity	Total 1982	Main office activity	Field service activity
Program development	15	6	9	12	6	6
Neighborhood preservation projects	10	6	4	10	6	4
Neighborhood support, training and technical assistance	11	10	1	11	9	2
Executive services	9	7	2	13	9	4
Communications	4	4	.....	7	7	.....
Staff development	4	4	.....	6	5	1
General counsel	3	3	.....	4	4	.....
Finance and administration	33	33	.....	39	39	.....
Total	89	73	16	102	85	17

Mr. GREEN. I note that program development has changed from 15 in the 1981 justifications to 12 in 1982. Does this mean you are placing less emphasis on program development?

Mr. BRYANT. Again I think that is an indication that some of the people who are in Washington working on program development are there because of the region of the country that they serve in their program development activity.

There was a Washington field office that was relocated to Atlanta.

Mr. WHITESIDE. A large proportion of all the field staff are program development also.

Mr. GREEN. Still, there is a contrast there between that and the rest of your Washington staff, in the sense that you go from 89 to 102 overall in Washington, but down in this area.

Mr. KNIGHT. That is because some of the support staff increased in Washington, supporting individual NHS programs. We found some good employees that happened to be located in Washington. We based them in Washington.

Mr. WHITESIDE. That was the reason for the increase. The reason for the decrease in program development is the creation of the small field offices, so we don't have to have people operating out of Washington. They can operate out of other areas.

FLUCTUATION IN SIZE OF FIELD OFFICES

Mr. KNIGHT. In program development, because the cities in which we are working are constantly in flux. For instance, right now in your city we have a number of field representatives and a

number of local coordinators. If you looked at our total for the New York State region—it would be maybe ten or eleven employees. A year from now that may be two employees because the New York City program will incorporate and that staff will no longer be needed there.

There is a continual flux in the location of our program development staff because we have to base them wherever they are working in cities.

Mr. GREEN. You are basically saying that the Washington program development staff is working on local programs?

Mr. KNIGHT. That is right. We were expanding Washington, D.C. at the time. Washington, D.C. is now expanded. We no longer need staff to expand Washington, D.C. We were doing an Apartment Improvement Program in Washington. That is under way.

Mr. GREEN. So those program development people have now moved on to somewhere else?

Mr. KNIGHT. Or they were local coordinators that were based in Washington and are no longer in our employ.

EXECUTIVE SERVICES STAFF

Mr. GREEN. The number of permanent employees in Administration Executive Services is increasing four in 1982.

What is the explanation for that?

Mr. BRYANT. I don't have the specific positions, but my assumption is that they are increased support positions. There is also in executive services new program concepts, for instance the insurance full partnership is staffed in that office.

Mr. WHITESIDE. In fact, two of those positions are development staff for insurance industry full partnership.

COMMUNICATIONS STAFF

Mr. GREEN. The Communications staff increases by three additional employees to a total of seven in 1982.

What workload increase can be documented to support the increase?

Mr. WHITESIDE. Shall we provide that for the record?

Mr. GREEN. Fine.

[The information follows:]

COMMUNICATIONS WORKLOAD INCREASE

Dissemination of information has consistently been an important functional responsibility of both the Corporation and its predecessor, the Urban Reinvestment Task Force. In 1981, the Corporation reinstated one position eliminated at the end of fiscal year 1979 (communications assistant), and added two new positions: a public information officer and a graphics assistant. These positions were added because the Corporation, as an independent organization, could no longer count on the Federal Home Loan Bank Board for communications support and did not wish to place a heavy reliance on outside contractors and consultants for basic communications services. These positions allow the Corporation's staff to provide increased technical communications support in developing and disseminating materials used to: explain the operations of NHS and related programs to new communities; enhance the various forms of technical support services provided by Neighborhood Reinvestment to local programs; develop and staff NHS exhibits when participation is requested at major housing-related conferences; and handle the bulk of initial inquiries received from communities interested in developing an NHS program. During 1981, the communications staff also initiated a newsletter describing local NHS activities at the request of NHS resident board members.

OFFICE OF THE GENERAL COUNSEL

Mr. GREEN. The Office of General Counsel was created within the Corporation one year ago. How have the Corporation's legal expenses changed since the creation of the General Counsel?

Mr. WHITESIDE. I will let the General Counsel answer.

I might say the quality of our legal services is outstanding.

Ms. MCCABE. Thank you, Mr. Whiteside.

I think the amount that we are spending on outside counsel is probably just slightly behind or equal to our expenditures for last year.

However, the services that we have been able to provide not only to the Corporation, but, in terms of support to NHSs which find it necessary to get legal advice wherever they can, as small, non-profit, local organizations. We provide whatever help we can in advising them on relevant laws, on the availability of necessary insurance that they should carry, on a variety of Federal laws and regulations in the area of hiring practices, lending and so on.

Mr. GREEN. Basically then, your total legal costs have probably increased when you add the costs of the General Counsel's office with those of the outside counsel?

Ms. MCCABE. I would say total legal costs probably have, because the output has greatly increased, as well as the scope of the function. Originally the Office of Neighborhood Reinvestment had access to the entire General Counsel's staff of the Federal Home Loan Bank Board and one in-house legal officer.

Now we don't feel we have access to the 60 or so lawyers in the Bank Board as an independent corporation.

Mr. BRYANT. I think also questions that any of us may have in this area—and I have a lot of them in finance and administration—I now get direct counsel on those whereas there wouldn't be the tendency to go to outside counsel on any of these issues, knowing what that cost would be.

Ms. MCCABE. We have also found as we expanded into other States, more and more questions concerning compliance with those State and local laws in the area of taxation, employment practices, etc.

Mr. KNIGHT. If I could add one small word, you may be familiar with the fact that many non-profits have a great deal of difficulty obtaining directors and officers liability insurance. This has certainly been true for the NHSs. A handful had it, but at enormous costs, two or three thousand dollars which out of a $75,000 budget is disproportionate.

Carol was able to work with NHSA in establishing—I am not quite sure how; she has the details—a directors and officers policy that is available to every NHS in the country for a very modest cost. What does it run, Carol, about a thousand dollars? $1,500?

Ms. MCCABE. Fifteen to nineteen hundred dollars over a three-year period.

Mr. KNIGHT. This has been an enormous support service to the NHSs and to their board of directors who are individuals drawn from very responsible positions.

PUBLICATION SUBSCRIPTIONS

Mr. GREEN. On page 16, under paragraph 8, "other general and administrative costs", "publication subscriptions" is listed as an example of these costs. However, on page 58 of the 1981 hearings, publications costs of $25,000 are listed under professional services.

Have you changed the accounting of publications, and, if so, why?

Mr. BRYANT. I don't believe so. I think the reference on page 58 last year was for outside services that have been used. I can check this more carefully.

On page 8, I believe it says publication subscriptions.

Mr. GREEN. Reconcile that for the record. Also, let us know for the record what is requested for publications in 1982 and the justification for that request.

Mr. BRYANT. Sure.

[The information follows:]

ACCOUNTING OF PUBLICATIONS

We have not changed our accounting for publications. The amount listed for Publications under "Other General and Administrative Cost," represents the amount to be paid for periodicals, subscriptions, and dues for memberships in professional organizations. On page 58 the cost of $25,000 for Professional Services is to cover reimbursements to consultants who assist our Communications Department in preparing Neighborhood Reinvestment's publications.

STAFF DEVELOPMENT BUDGET

Mr. GREEN. The same page of the 1981 justifications also indicated the cost for staff development of $100,000 in 1981. What is the comparable figure for 1982, and how will those funds be used?

Mr. BRYANT. I can provide a complete schedule of our professional services comparable to that schedule.

[The information follows:]

PROFESSIONAL SERVICES—ALL SOURCES OF FUNDS

	Fiscal year—	
	1981 budget	1982 budget
Monitoring and evaluation of NHS program/training and NHS supportive services	[1] $299,000	$299,000
Program development	89,000	90,000
Accounting and EDP services	100,000	50,000
Legal fees	40,000	40,000
Audit fees	19,000	20,000
Publications	25,000	25,000
Staff development	59,000	48,000
Total	[1] 631,000	572,000

[1] Includes $204,000 from other funding sources.

STAFF DEVELOPMENT COST

The estimate of $100,000 was for professional services in the Staff Development Department. The actual fiscal year 1981 budget for this item is $59,000. A greater utilization of in-house skills enabled us to reduce expenditures to the current estimate. For fiscal year 1982, we project an expenditure of $48,000.

COST OF PRINTING, FILMS AND SUPPLIES

Mr. GREEN. Printing costs in the 1982 budget, including funds from all sources, total $523,000 compared with $249,000 in 1981. Why do these costs double in 1982?

Mr. BRYANT. It is the film.

Mr. WHITESIDE. We have utilized in our work in local communities up until now a film produced by the Ford Foundation in 1974 which detailed the work of the then Urban Reinvestment Task Force.

It has gotten badly out of date and it is necessary for us to update that.

Mr. GREEN. I am a little surprised that that is in the printing line.

Mr. BRYANT. It is in a line that refers to printing, films and supplies.

ACTUAL EQUIPMENT COSTS

Mr. GREEN. Actual equipment costs in 1979 were $54,000, contrasted to an estimate of $150,000. Again in 1980, the actual was $57,000, compared with an estimate of $126,000.

Why have the actual equipment costs been so far below the estimates? What does this history of apparent underspending tell us about the reliability of the 1982 estimate?

Mr. BRYANT. I don't have the figures in front of me.

Mr. GREEN. Supply for the record what the shortfall was, and what the impact of that might be in 1982.

[The information follows:]

EQUIPMENT COST

We feel the estimate of fiscal year 1982 is a reliable one. There are two important factors in the differences between projected equipment purchases and actual expenditures. First, the fiscal year 1979 estimate was made at a time when the location of our Washington, D.C. office had not been firmly established. We anticipated that a higher than usual expenditure would be necessary should the Corporation have had to relocate outside the Federal Home Loan Bank Building. We have remained in that facility and completed an agreement to purchase furniture with Federal Home Loan Bank System (FHLBS) funds from the Federal Home Loan Mortgage Corporation at a considerable savings.

Secondly, the estimate for fiscal year 1980 as in the previous year is for all sources of funds including the FHLBS funds which were on a calendar year basis. An installment payment for the furniture referred to above was not made until November, 1980 after the end of the Corporation's fiscal year. As such, the difference was due to a timing factor rather than a difference in total funiture expenses for the period. Our fiscal year 1981 will show a higher amount for furniture expenses because of the differences in accounting periods.

ADMINISTRATIVE AND PROGRAM SUPPORT STAFF

Mr. GREEN. Page 18 contains an organizational chart of the corporation for 1982. It appears that positions for administrative and support activities are increasing while the program offices of the corporation are remaining constant.

For example, the staff and the Executive Director's office increases from seven in 1981 to 11 in 1982; Communications staff increases from four to seven; Staff development from four to six; Finance and Administration increases two up to five. The General Counsel's office adds one for a total of four; Program Information changes from three to six; Training staff goes from nine to 11. On

the other hand, the Neighborhood Housing Services staff only increases from 62 to 64; Neighborhood Preservation Development remains constant at 29; Program Development, only one to a total of seven, and the Neighborhood Preservation Projects staff adds one for a total of twelve.

In connection with comments raised earlier during this hearing, at last year's hearing and in the reports presented by the Department of Housing and Urban Development's Office of Policy Research and Development, how do you respond to the appearance that the Corporation is, in fact, not staying so lean bureaucratically, but is adding to its housekeeping and bureaucratic functions as compared with its mission functions?

Mr. WHITESIDE. I would respond in two ways: one, clearly as we go on, it is necessary for us to have more of a structure than we had as a very *ad hoc* organization.

But, second, there are two kinds of support that need to be distinguished, and it is very important to do that. One is support for our own administration, and the second is support for the local NHSs: the support which we call neighborhood program support, training, and technical assistance. It is really lumping apples and oranges together to include those two kinds of items.

The support for the local NHS is a definite programmatic function. It is a growing function and it will continue to grow until we get a levelling off when the number of neighborhoods finishing work becomes about the same as the number of neighborhoods added. We expect that to happen in about three or four years, but that is a necessary growing programmatic activity.

I couldn't follow your numbers well enough to respond in detail, but I have a feeling when you separate that out, when you note that two of the staff added in my office are program development staff, that it begins to break down as being not as ominous as it sounds.

Mr. GREEN. For the record could you detail each of the changes?

Mr. WHITESIDE. I would be happy to do that.

[The information follows:]

NEIGHBORHOOD REINVESTMENT CORPORATION

Staff Increases - FY 1982

Position Title	Explanation
Executive Services (from 7 to 11):	
Special Assistant for Planning	To provide assistance to the Executive Director who requires support for organizational planning and budget activities.
Legislative Assistant	To assist in coordinating our responsibilities for reports and responding to legislative inquiries.
Insurance Program Officer	This is a program development position assisting in the development of the Insurance Full-Partnership.
Secretary	Provides overall clerical support for increases in divisional workload.
Communications (from 4 to 7):	
Public Information Officer	This position results from an overall increase in the Communications department's workload as explained above.
Communications Assistant	Provides media information and materials for use in program development activities.

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Position Title	Explanation
Communications (continued)	
Graphics Assistant	Technical drawing and other creations necessary for use in our publications. This staff position represents a savings over the use of outside consultants.
Staff Development (from 4 to 6)	
Staff Development Specialist	To provide in-house expertise in developing and administering staff training programs.
Secretary	To provide clerical assistance for increased staff development activities.
Finance and Administration (from 3 to 5)	
Personnel Assistant	Overall coordination of personnel clerical activities and maintenance of personnel files, benefit administration and clerical supervision.
Budget Assistant	Increased complexity of the budget and planning process necessitates this position in support of the budget office.
General Counsel (from 3 to 4)	
Deputy General Counsel	Increase in services required by NHS programs and to our administrative staff.
NHS Training (from 9 to 11)	
NHS Rehab Trainer	Provides additional staff member for training program for NHS rehab specialists.
Secretary	Increased training activity resulted in an overall increase in the clerical workload.

Mr. GREEN. Mrs. Boggs?

Mrs. BOGGS. I hate to interrupt, but I wanted to say hello to all of you, greet you, and congratulate you on being survivors.

I am in the process of attending another Subcommittee hearing. Would it be possible for me to ask a couple of questions before I have to go back?

Mr. GREEN. By all means.

NHS GEOGRAPHICAL EXPANSIONS

Mrs. BOGGS. I was interested in your description on page seven of the trend toward expansion of existing NHS programs. With respect to geographical expansion, you explained in your statement that you have developed a means by which an existing NHS partnership of financial institutions, local government, and neighborhood residents assists the new neighborhood and is even able to facilitate development of the sense of ownership of the NHS, a feeling that is so important to this whole concept.

Could you tell us a little bit more about how you accomplish this?

Mr. WHITESIDE. It is probably our most difficult area of staff work and we have to assign our most skilled and experinced field representatives to it.

It amounts to a lot of very patient work with neighborhood leaders in the new neighborhood and with the members of the present partnership.

It amounts to letting each group become convinced that they will be able to serve an additional neighborhood without anyone's self-interest getting compromised, so the residents in the first neighborhood need to have the conviction that on an ongoing basis some level of minimal services will be available to that neighborhood to keep it solid once it has been improved.

The residents of the new neighborhood have to be convinced they will have the same kind of resources that the first neighborhood had. It is an educational process that has to be done very, very thoughtfully.

It would be easy for this to just break apart in mutual suspicion and anger over people not understanding how one could gain without someone else losing, and our staff job is to help them understand that it is possible to do that.

SUPPORT, TRAINING AND TECHNICAL ASSISTANCE

Mrs. BOGGS. So after the initial development of an NHS, you do have a degree of contact maintained in program support and training and technical assistance?

Mr. WHITESIDE. Absolutely. Normally our invitation to assist in an expansion will come through our support officer who is in regular contact with the program, and they will indicate to that support officer that other neighborhoods have requested the program and maybe ask us for assistance in rising to that challenge.

INSURANCE FULL PARTNERSHIP

Mrs. BOGGS. I know another question has been asked about the insurance aspects, but I was curious about how much progress you

have made in the effort to bring the insurance industry into the initial partnership, at the beginning stages of new NHSs?

Mr. WHITESIDE. We are just beginning that. It is going very well in New York City where we have got a multiple neighborhood expansion. The single NHS neighborhood is being joined by six more. The life insurance companies are playing a very active role in that and will be major supporters of the NHS there.

We will be undertaking a second one this year in Los Angeles where again they have asked us for a multiple neighborhood new development, and we have already had interest expressed by property casualty insurance companies and then beyond that, of course, before you came in, Mrs. Boggs, I had talked about our need to broaden the support to other elements of the private sector to bring in downtown business and major corporations in the community, and so on.

We will be working at that.

NHS EFFORTS TO PREVENT SPECULATION AND DISPLACEMENT

Mrs. BOGGS. I know from your annual report that you make use of a number of strategies to discourage displacement and speculation in NHS neighborhoods. To what extent have you found these strategies to be successful?

Mr. WHITESIDE. We found them generally very successful. The amount of new in-migration in NHS neighborhoods can be fairly well managed by the NHS and become a very positive thing, where you are bringing in people who have the wherewithal to rehabilitate larger and particularly deteriorated buildings; at the same time you are enabling tenants to take on buildings that are smaller and require less investment.

So we found by and large that NHS neighborhoods have not been gentrified, partly because of the neighborhood selection in the first place. They aren't that kind of historic neighborhood.

There have been one or two exceptions, though, where just the economic pressure has caused costs to inflate.

New tools are needed there, but going across the 126 neighborhoods, I would say in the vast majority of cases it has been a very well controlled area.

ENERGY CONSERVATION EFFORTS

Mrs. BOGGS. Have you been fairly successful in your counseling programs on energy conservation to keep heating and cooling costs down?

Mr. WHITESIDE. We are beginning to mount a major effort in this with the help and encouragement of the Ford Foundation. Many NHSs routinely include energy conservation counseling in their services. There are many others that could do much more.

The Ford Foundation came to us a year and a half ago with the hunch that although there is a great deal of talk at the Federal level, the State level, about energy conservation services, that there wasn't much of a delivery mechanism in neighborhoods.

They did a major national survey. We surveyed all of the NHSs and found out that was indeed true.

We have created some neighborhood preservation projects to pick out the very best that is happening among the NHSs and to turn that into a program model that, with Ford Foundation's help, we will be able then to spot into NHSs that need that kind of a resource.

Mrs. BOGGS. Do you think that you discourage speculation specifically by encouraging purchase by families who intend to live in the house?

Mr. WHITESIDE. Absolutely. That is one way.

Another is to try to devise a strategy that whenever a property comes on the market that you acquire it for a homeowner as you mentioned.

The Baltimore NHS has also developed a strategy of buying absentee owned buildings, rehabilitating them, and holding them as a rental resource for the neighborhood, so that tenants who simply can't become homeowners are not displaced from the neighborhood.

It takes a variety of strategies, depending upon the local situation.

USE OF EXISTING SECTION 8 FOR THE APARTMENT IMPROVEMENT PROGRAM

Mrs. BOGGS. Can you use the Apartment Improvement Program with the help of Section 8?

Mr. WHITESIDE. Yes. We have been able to make some Section 8 existing housing allocations available to prevent displacement from apartment buildings where rent increase has been involved.

Mrs. BOGGS. Also I do know you counsel residents on the value of their property. Often times that can discourage speculation as well.

Mr. WHITESIDE. Right.

Mrs. BOGGS. Thank you. Thank you, Mr. Chairman.

Congratulations to all of you.

Mr. WHITESIDE. Thank you.

Mrs. BOGGS. I am very proud of your progress. I don't need to ask my usual questions about the involvement of women at high levels because some truths are self-evident.

FEDERAL RESTRICTIONS ON TRAVEL, CONSULTING FEES, PROCUREMENT OF EQUIPMENT AND SERVICES, AND HIRING

Mr. GREEN. I think you may have covered most of the next question in the response you gave to Mr. Traxler, but just so we have it all on the record, the Reagan Administration has issued numerous directives to Federal agencies since January, including reductions in 1981 for travel, consulting fees, procurement of equipment and other services, as well as limitations on hiring.

Have any of those affected the corporation?

Mr. WHITESIDE. No, they have not.

Mr. GREEN. That is because you are basically exempt?

Mr. WHITESIDE. Our form of organization exempts us.

GENERAL PROVISION RESTRICTIONS

Mr. GREEN. Section 414 of the 1981 HUD Act requires the head of each department established in the act to report to the Commit-

tee on Appropriations and to the Director of OMB on obligations incurred during the preceding quarter and the percentage of total available budget authority for the fiscal year which the obligations constitute. Are you aware of the requirement and has the Corporation been complying with it?

Mr. BRYANT. We are aware of the requirement of OMB—we have discussed that with OMB. They do not believe that we should be reporting.

Mr. GREEN. It was their opinion that you are exempt?

Mr. BRYANT. That is correct.

Mr. GREEN. Section 418 of the HUD Act states: "Notwithstanding any other provision of this Act, any amount appropriated by this act for the fiscal year ending September 30, 1981, for any department, agency or instrumentality of the United States Government, which is available to pay for or conduct advertising or public relations activities is reduced by ten percentum."

Does Section 418 apply to the Corporation?

Mr. WHITESIDE. Sounds like it wouldn't since our statute explicitly says we are not a department, agency, or instrumentality of the United States.

NUMBER OF STAFF POSITIONS—FISCAL YEAR 1981

Mr. GREEN. One final question. The 1981 justification supported 191 positions. Although the 1981 appropriation is almost $1.0 million less than the amount you requested, the current 1981 estimate reflects 201 positions. How do you explain this discrepancy? How many positions are occupied? How have you changed your operating plan to pay for the extra positions?

Mr. BRYANT. It is not 201. It is ten more. At that time we had not allocated interest earnings. Based on the earnings, we were able to identify funds for additional positions.

Mr. GREEN. You are basically paying for that out of your interest?

Mr. BRYANT. That is correct.

Mr. GREEN. Did OMB concur in this?

Mr. BRYANT. They were not required to. However, we did take it to our board. In order to increase our line item for salaries, our board is required to pass on that.

Mr. GREEN. Well, those are all the questions I have. Let me thank you all very much and wish you well.

Mr. WHITESIDE. Thank you.

Mr. GREEN. We will place the justifications in the record at this point.

[The justifications follow:]

BUDGET JUSTIFICATION

FY 1982

NEIGHBORHOOD REINVESTMENT CORPORATION

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NEIGHBORHOOD REINVESTMENT CORPORATION

INTRODUCTION

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

John H. Dalton, Chairman
Chairman
Federal Home Loan Bank Board

Lawrence Connell, Vice Chairman
Chairman
National Credit Union Administration

Samuel R. Pierce, Jr.
Secretary
U.S. Department of Housing and Urban Development

John G. Heimann
Comptroller of the Currency

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

Irvine H. Sprague
Chairman
Federal Deposit Insurance Corporation

The Corporation is committed to neighborhood revitalization for the benefit of current residents. This commitment is translated into reality by the Neighborhood Housing Services program which exerts a long-term stabilizing influence on a neighborhood lending environment, reversing neighborhood decline and reducing risk on conventional loans made in the neighborhood. The program achieves this effect by managing a comprehensive, coordinated reinvestment strategy. This strategy, made possible by a partnership of lenders, neighborhood residents, and local government officials, systematically improves housing and upgrades public amenities. For the strategy to have the desired long-term results, an improved quality of life must be perceived in the neighborhood. This perception reverses the weak demand factors which contribute to disinvestment and brings about a strengthened real estate market.

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

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

The budget for the Neighborhood Reinvestment Corporation is shown for the five major activity areas - Neighborhood Housing Services Program Development; Neighborhood Program Support, Training, and Technical Assistance; Neighborhood Preservation Projects; Neighborhood Preservation Development; and Administration. These five activities and goals for FY 1982 are described in detail below.

FISCAL YEAR 1982 BUDGET CATEGORIES AND GOALS

Neighborhood Housing Services Program Development

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

GOAL:

To begin 24 new NHS developments or expansions of existing programs. Work completed on NHS developments will bring NHS programs to a total of approximately 133 cities, serving 166 neighborhoods.

Neighborhood Program Support, Training, and Technical Assistance

The Neighborhood Program Support, Training, and Technical Assistance Division provides supportive services to local Neighborhood Housing Services

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

Grants to NHSA and contract payments to supports its assistance in program monitoring and NHS staff education are also included in this activity, as is support of the NHSA secondary market for NHS Revolving Loan Fund loans.

GOAL:

1. To provide assistance and support, upon request, to approximately 150 NHS programs, including start-up assistance to 35 new programs. This includes board and staff training; installation of office procedures, client tracking systems, and lending and construction processes; and provision of technical assistance and information.

2. To conduct formal training sessions for 75 Executive Directors and 75 Rehabilitation Specialists. To sponsor a national NHS conference and a number of regional, specialized workshops.

3. To monitor approximately 120 NHS programs through annual on-site visits.

4. To further capitalize Neighborhood Housing Services of America's secondary market for NHS loans.

Neighborhood Preservation Projects

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

GOAL:

1. To select five Neighborhood Preservation Projects for monitoring and evaluation. To provide continued technical assistance to fourteen NPPs.

2. To develop one additional commercial revitalization project, one energy impact project, and one mutual housing association.

3. Prepare two NPPs for testing and trial replication.

Neighborhood Preservation Development

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

GOAL:

To begin development of the following:

- Apartment Improvement Program (AIP)

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

  Begin development in four cities.

  Provide support to 12 operational programs.

- Home Ownership Promotion (HOP)

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

  Begin development in three NHS programs.

- Statewide NHS Foundation

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

  Begin development in one state.

- Insurance Industry Full Partnership

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

  Begin development with three NHS programs.

- Rehabilitation and Sale (R&S)

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

  Begin one Rehabilitation and Sale program.

- Owner-Built Housing Program

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

  Begin development of two Owner-Built Housing programs.

- Urban Lender Program

  The program assists lenders in their desire to make sound investments in urban areas and in their efforts to meet the requirements of the Community Reinvestment Act by providing practical training in urban lending for appraisers and underwriters.

  Three Urban Lender Programs will be developed and on-going support will be provided to three other programs.

Administration

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

GOAL:

1. To further develop and consolidate automatic data processing systems to maintain centralized accounting services for all Corporation activities and to accomodate growth and changes in organizational structure.

2. To provide accurate information on the Neighborhood Reinvestment Corporation to programs, staff, public interest groups, Congress, government agencies, and the public through an annual report, film, newsletters, brochures, and responding to individual inquiries.

3. To provide legal, personnel, and staff development services to the Corporation.

4. To complete design and implementation of a comprehensive automated management information system and begin an evaluation of the impact of several of the newer Corporation programs.

FY 1981 PROGRAM ACCOMPLISHMENTS

- Work begun on 28 new NHS developments or expansions of existing programs. Work will be completed on NHS developments brought NHS programs to a total of approximately 122 cities, serving 152 neighborhoods.

- Support, training, and technical services provided to NHS programs to help them become operational and to ensure their continuing effectiveness. Approximately 112 NHS programs monitored through annual on-site review visits.

- A $600,000 grant from Neighborhood Reinvestment provided additional capitalization of the loan purchase pool. NHSA negotiated an additional $2,000,000 commitment from the Equitable Life Assurance Society of America to purchase collateralized securities. NHSA purchases of approximately $2,000,000 in Revolving Loan Fund loans from 30 NHS programs.

- Development begun of five Apartment Improvement programs, three Home Ownership Promotion programs, one Rehabilitation and Sale Program, three Insurance Full Partnerships, two Urban Lender Programs, and one Owner-Built Housing program.

  By the end of FY 1981, 13 Apartment Improvement Programs, 11 Home Ownership Promotion programs, five Rehabilitation and Sale programs, four Insurance Full Partnerships, two Statewide Foundations, four Neighborhood Conservation Services, three Urban Lender Programs, and one Owner-Built Housing Program, will be operational.

- Eighteen Neighborhood Preservation Projects monitored to identify innovative approaches to stabilizing and improving neighborhood environments.

- On-going support provided to four commercial revitalization projects. A program to create a pilot mutual housing association, patterned after the Western European model, is being developed. The concept received Congressional encouragement in The Housing and Community Development Act of 1980.

- Three Neighborhood Preservation Projects found to be effective neighborhood tools warranting pilot replication. Program models prepared for testing by the Neighborhood Preservation Development Division.

- Provided effective managerial leadership to direct and support organizational growth and development of programs. Accounting, personnel, legal, staff development, communications, administrative, and program information and research services were provided.

  - Implemented a comprehensive budget and financial planning system.

  - Completed an OMB-requested study of the reinvestment impact of Neighborhood Housing Services programs.

FY 1982 BUDGET REQUEST

Neighborhood Reinvestment's budget justification is based on schedules submitted to the Office of Management and Budget as a result of the budget process. The total request for a Congressional appropriation of $14,950,000 represents a 20% increase in federal funding compared to fiscal year 1981. However, the amount represents an annual federal funding increase of approximately 9.5% per year since fiscal 1980. In 1982, the overall increase is about 4% compared to FY 1981 when all sources of funding for Neighborhood Reinvestment programs are considered. The following section presents summary tables and line item descriptions for Neighborhood Reinvestment's proposed FY 1982 budget.

Budget Schedules

There are budget schedules that follow explaining the source and use of funds for fiscal year 1982.

1. Neighborhood Reinvestment Corporation Revenue and Expenses for Fiscal Year 1982.

In this schedule, a combined projection of all sources and application of funds is exhibited. The Corporation receives its primary funding through a Congressional appropriation. In addition, it receives support of some of its administrative costs in the form of contributed staff services and facilities provided through the Office of Neighborhood Reinvestment (ONR) of the Federal Home Loan Bank System. The FY 1982 contribution from ONR includes: the salaries of the seven Neighborhood Reinvestment Corporation's officers and one other employee; related travel and telephone expenses; and rent and related costs of its Washington offices located in the Federal Home Loan Bank Board building.

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

An additional source of funding included in our printed budget schedule is a projection of interest earned. The $560,000 shown has been allocated to fund a portion of the Corporation's FY 1982 grant expenditures.

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

2. Neighborhood Reinvestment Corporation's 1982 Budget Request Allocation by Activity: All Sources of Funds.

This schedule shows the allocation of funds from all sources according to program activities in the following categories:

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

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

3. Neighborhood Reinvestment Corporation's 1982 Budget Request Allocation by Activity: Federal Appropriation.

The last schedule shows the allocation of funds for the $14,950,000 request for federal appropriations.

NEIGHBORHOOD REINVESTMENT CORPORATION
REVENUE AND EXPENSES - ALL SOURCES OF FUNDS
FISCAL YEAR 1982
(amounts in thousands)

	FEDERAL APPROPRIATION	FEDERAL HOME LOAN BANK SYSTEM	LOCAL SOURCES	OTHER	TOTAL
REVENUE:					
Federal Appropriation	$14,950				$14,950
Federal Home Loan Bank System		$1,264			1,264
Local Governments (for services rendered)			$800		800
Interest (projected earnings)				$560	560
TOTAL REVENUE	$14,950	$1,264	$800	$560	$17,574
EXPENSES:					
Salaries & Employee Benefits	5,782	460	368		6,610
Travel	2,990	137	54		3,181
Professional Services	572				572
Conferences & Workshops	592		319		911
Rent	220	487	5		712
Telephone, Postage, Delivery	355	14	26		395
Printing, Films, Supplies	509		14		523
Other General & Administrative	410	166	14		590
Grants and Grant Commitments*	3,520			560	4,080
TOTAL EXPENSES	$14,950	$1,264	$800	$560	$17,574
*Grants and Grant Commitments by type:					
NHSA	$ 800				
NPP	700				
NPD	393			17	
NHS and NHS Expansion	1,495			335	
Other Grants	132			208	
TOTAL GRANTS	$ 3,520			560	

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NEIGHBORHOOD REINVESTMENT CORPORATION - FISCAL YEAR 1982

ALLOCATION BY ACTIVITY - ALL SOURCES OF FUNDS
(amounts in thousands)

Expense Categories/ Account Description	Budget Requests	Neighborhood Preservation Projects	Neighborhood Preservation Development	Neighborhood Housing Services	Neighborhood Program Support, Training and Technical Assistance	Administration
Salaries & Employee Benefits	$ 6,610	$ 481	$ 859	$2,211	$1,423	$1,636
Travel	3,181	287	317	1,329	807	441
Professional Services	572	50	63	18	226	215
Conferences & Workshops	911	11	77	638	151	34
Rent	712	10	18	146	51	487
Telephone, Postage & Delivery	395	14	37	155	72	117
Printing, Films & Supplies	523	6	30	82	48	357
Other General & Administrative	590	20	11	220	10	329
Grants & Grant Commitments	4,080	700	410	1,830	1,044	96
TOTAL	$17,574	$1,579	$1,822	$6,629	$3,832	$3,712

NEIGHBORHOOD REINVESTMENT CORPORATION - FISCAL YEAR 1982

ALLOCATION BY ACTIVITY - CONGRESSIONAL APPROPRIATION
(amounts in thousands)

Expense Categories/ Account Description	Budget Requests	Neighborhood Preservation Projects	Neighborhood Preservation Development	Neighborhood Housing Services	Neighborhood Program Support, Training and Technical Assistance	Administration
Salaries & Employee Benefits	$ 5,782	$ 314	$ 688	$2,011	$1,368	$1,401
Travel	2,990	268	317	1,256	788	361
Professional Services	572	50	63	18	226	215
Conferences & Workshops	592	11	77	319	151	34
Rent	220	10	18	141	51	-0-
Telephone, Postage & Delivery	355	12	37	127	70	109
Printing, Films & Supplies	509	6	30	68	48	357
Other General & Administrative	410	20	11	206	10	163
Grants & Grant Commitments	3,520	700	393	1,495	932	-0-
TOTAL EXPENSES	$14,950	$1,391	$1,634	$5,641	$3,644	$2,640
Grants & Grant Commitments by type:						
NHSA	800				800	
NPP	700	700				
NPD	393		393			
NHS & NHS Expansion	1,495			1,495		
Other Grants	132				132	-0-
TOTAL	$ 3,520	$ 700	$ 393	$1,495	$ 932	$ -0-

NOTES TO NEIGHBORHOOD REINVESTMENT CORPORATION
FY 1982 BUDGET REQUEST

1. Salaries and Employee Benefits

This line item includes salaries and benefits for 216 permanent employees, and at least 33 local coordinators (temporary full-time personnel hired for development of NHS programs). Neighborhood Reinvestment Corporation staff are currently located in Washington, D.C. and eighteen field offices. These field offices house field staff who are directly involved in developmental processes and support services across the nation. Office locations and number of permanent employees assigned are listed below:

Washington, D.C.		102
Program Development	12	
Neighborhood Preservation Projects	10	
Neighborhood Program Support, Training and Technical Assistance	11	
Administration:		
Executive Services	13	
General Counsel	4	
Communications	7	
Staff Development	6	
Finance and Administration	30	
Northeast Regional Office: Boston, MA		
District Offices		
Boston, MA		11
Middletown, CT		4
New York, NY		18
Newark, NJ		5
Atlantic Great Lakes Regional Office: Atlanta, GA		
District Offices		
Atlanta, GA		11
Charlotte, NC		4
Chicago, IL		12
Cincinnati, OH		8
Cleveland, OH		2
Lynchburg, VA		2
Central Regional Office: Dallas, TX		
District Offices		
Dallas, TX		9
Evansville, WS		2
Kansas City, MO		8

Western Regional Office: San Francisco, CA

District Offices	
San Francisco, CA	10
Denver, CO	2
Pueblo, CO	1
Salt Lake City, UT	4
Seattle, WA	1
	216

2. Travel

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

3. Professional Services

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

4. Conferences and Workshops

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

5. Rent

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

6. Telephone, Postage and Delivery

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

7. Printing, Films and Supplies

This line item provides funds for the development and printing of the Annual Report, Quarterly Newsletters, brochures on Neighborhood Reinvestment activities, forms, and letterhead. It also provides funds for the development of slide presentations on Neighborhood Reinvestment programs for local workshops. Also included in this year's budget are funds needed to revise a public information film describing Neighborhood Reinvestment programs and developmental process for use in program development.

8. Other General and Administrative Costs

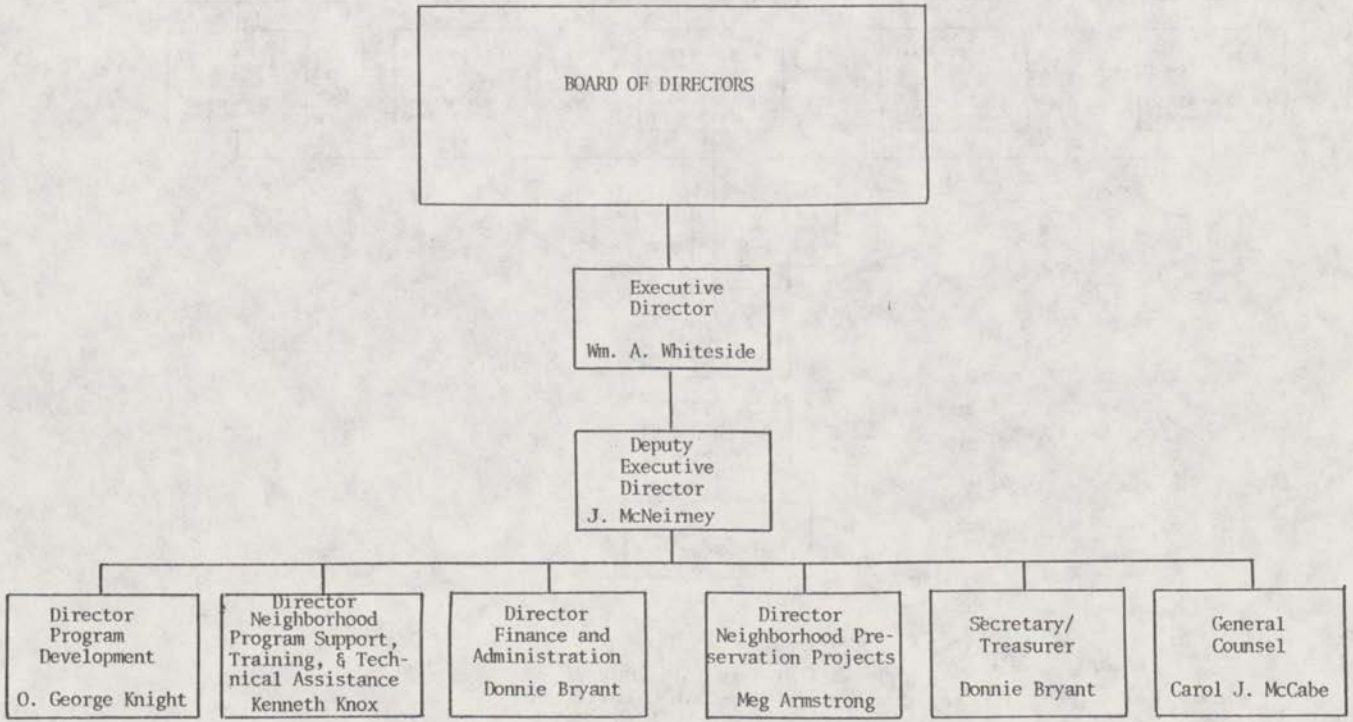
This line item funds such costs as insurance, moving expenses, temporary clerical help, equipment rental, publication subscriptions, office supplies, and other miscellaneous expenses.

9. Grants and Grant Commitments

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

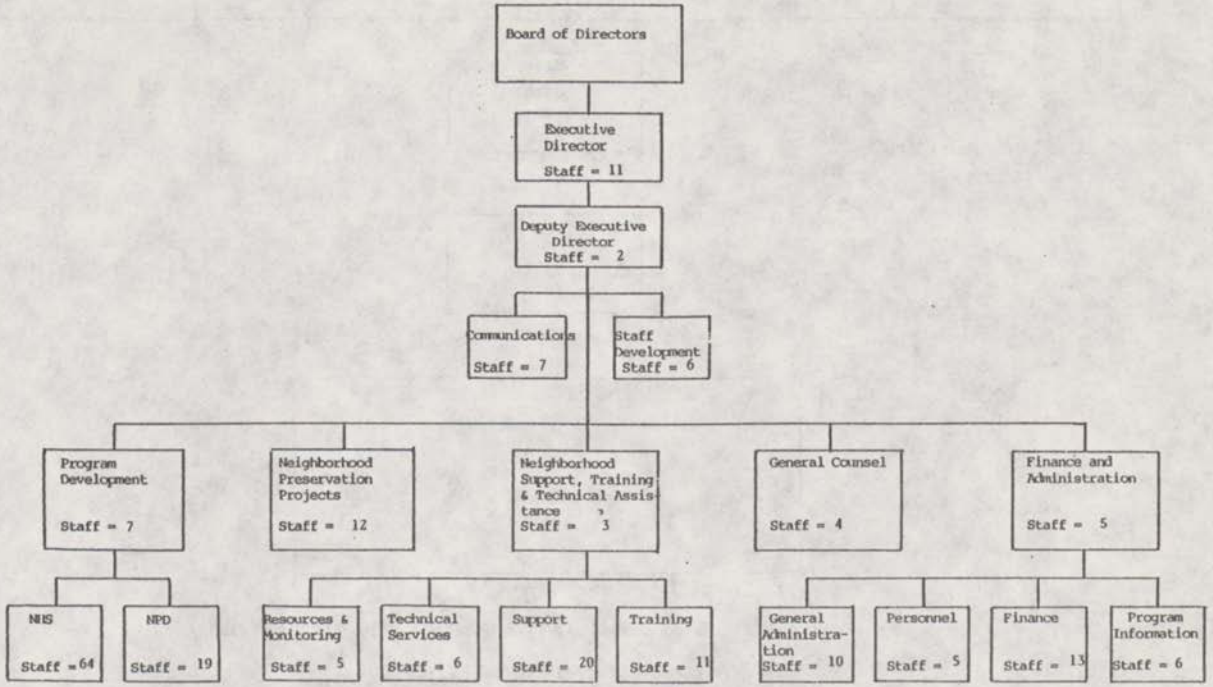
NEIGHBORHOOD REINVESTMENT CORPORATION

THE BOARD OF DIRECTORS AND BYLAW OFFICERS OF THE CORPORATION



NEIGHBORHOOD REINVESTMENT CORPORATION

ORGANIZATION CHART WITH PRELIMINARY
STAFF DISTRIBUTION - FY 1982



JOB CLASSIFICATION BY ORGANIZATIONAL UNITS
NEIGHBORHOOD REINVESTMENT CORPORATION

RANGE NUMBER	JOB TITLE	NUMBER OF POSITIONS
	Executive Services	
Executive Director's Office		
6	Secretary	3
10	Administrative Secretary	1
12	Executive Secretary	1
12	Legislative Assistant	1
16	Historic Preservation Liaison	1
16	Insurance Program Officer	1
22	Legislative/Insurance Prog. Coord.	1
22	Special Assistant for Planning	1
24	Executive Assistant to Director	1
33	Deputy Executive Director	1
36	Executive Director	1
Communications		
8	Senior Secretary	1
10	Graphics Assistant	1
10	Communication Assistant	1
14	Communications Specialist	1
18	Graphics Designer	1
20	Public Information Officer	1
26	Associate Director	1

RANGE NUMBER	JOB TITLE	NUMBER OF POSITIONS
Staff Development		
6	Secretary	1
8	Senior Secretary	1
10	Staff Development Assistant	1
20	Staff Development Officer	1
22	Staff Development Specialist	1
26	Associate Director	1
	Office of the General Counsel	
10	Administrative Secretary	1
12	Law Clerk	1
26	Deputy General Counsel	1
30	General Counsel	1
	Finance and Administration	
10	Administrative Secretary	1
12	Budget Assistant	1
16	Administrative Analyst	1
27	Associate Director/Budget Officer	1
30	Director	
Finance		
6	Secretary	1
8	Accounting Specialist	6
11	Senior Accounting Specialist	1
11	Payroll Analyst	1
18	Accounts Payable Supervisor	1
16	Accountant	1
18	Senior Accountant	1
26	Controller	1

RANGE NUMBER	JOB TITLE	NUMBER OF POSITIONS
Personnel		
5	Personnel Clerk	1
6	Secretary	1
11	Personnel Assistant	1
20	Personnel Officer	1
24	Assistant Director	1
Administration		
2	Mail Clerk	2
4	Receptionist	2
5	Word Processing Operator	1
8	Purchasing Assistant	1
8	Word Processing Specialist	1
11	Word Processing Supervisor	1
12	Office Services Supervisor	1
24	Assistant Director	1
Program Information and Research		
4	Files Assistant	1
6	Secretary	1
12	Research Assistant	1
14	Records Manager	1
16	Research Analyst	1
22	Manager, Program Information and Research	1
	Program Development	
6	Secretary	2
10	Administrative Secretary	1
12	Field Staff Liaison	1

RANGE NUMBER	JOB TITLE	NUMBER OF POSITIONS
14	Finance Assistant	1
18	Special Assistant-NHS Dev.	1
30	Director	1
Neighborhood Housing Services Development		
6	Secretary	9
8	Field Office Assistant	4
16	Field Representative	32
22	Senior Field Representative	5
24	District Manager	11
27	Associate Director	3
Neighborhood Preservation Development		
6	Secretary	1
8	Field Office Assistant	3
16	Program Associate	1
18	Technical Advisor-Rehab & Sale	1
18	Field Representative	5
20	AIP Systems Analyst	2
22	AIP Development Officer	2
25	AIP Support Manager	1
27	Associate Director	3
Neighborhood Program Support, Training and Technical Assicstance		
6	Secretary	1
16	Special Assistant	1
30	Director	1

RANGE NUMBER	JOB TITLE	NUMBER OF POSITIONS
Support		
6	Secretary	5
8	Field Office Assistant	1
22	Support Officer	10
24	Regional Support Supervisor	4
Training		
4	Receptionist/Typist	1
6	Secretary	1
8	Field Office Assistant	1
10	Training Assistant	1
12	Program Assistant	1
16	NHS Rehab Trainer	1
18	Senior Trainer	2
21	Assistant Training Director	2
26	NHS Training Director	1
Technical Services		
11	Technical Services Assistant	1
22	Technical Services Officer	4
24	Assistant Director	1
Resources and Monitoring		
9	Senior Secretary	1
16	Conference Coordinator	1
16	Program Analyst	1
20	Resource Development Coordinator	1
27	Associate Director	1

RANGE NUMBER	JOB TITLE	NUMBER OF POSITIONS
	Neighborhood Preservation Projects	
6	Secretary	2
10	Administrative Secretary	1
16	Program Analyst	1
16	Energy Project Coordinator	1
18	Field Representative	2
22	Senior Field Representative	1
24	Assistant Director	1
25	Commercial Revitalization Manager	1
26	Associate Director	1
30	Director	1

NEIGHBORHOOD REINVESTMENT CORPORATION

COMPENSATION PLAN

January, 1981

RANGE NUMBER	SALARY RANGE
2	$ 9,450 - $12,973
4	10,419 - 14,303
5	10,940 - 15,018
6	11,487 - 15,769
8	12,664 - 17,385
10	13,962 - 19,167
11	14,660 - 20,125
12	15,393 - 21,131
14	16,971 - 23,298
16	18,711 - 25,686
18	20,629 - 28,320
20	22,743 - 31,221
21	23,880 - 33,438
22	25,074 - 34,421
24	27,644 - 37,949
25	29,026 - 39,846
26	30,477 - 41,839
27	32,000 - 43,931
30	37,045 - 50,855*
33	42,884 - 58,871*
36	49,643 - 66,814*

*Maximum amount payable is $50,112.

THURSDAY, MARCH 26, 1981.

SELECTIVE SERVICE SYSTEM

WITNESSES

DR. BERNARD D. ROSTKER, DIRECTOR, SELECTIVE SERVICE SYSTEM
ARNOLD B. BRODSKY, FINANCIAL DIRECTOR, SELECTIVE SERVICE SYSTEM

	Appropriation	Positions		Reserve officers
		Civilian	Military	
1980 actual	$21,465,000	101	19	715
1981 estimate	[1] 24,654,000	231	19	715
1982 request	21,174,000	247	19	715
Change	−3,480,000	+16		

[1] Reflects reduction of $543,000 pursuant to the 1981 Appropriation Act and proposed rescission of $1,940,000.

Mr. BOLAND. The Committee will come to order.

We are pleased to have the Selective Service System with us today. We are delighted to have Dr. Bernard Rostker, Director, and Mr. Arnold Brodsky, Financial Director.

In fiscal year 1982, you are requesting $21,174,000, 247 civilian positions, 19 military positions, and 715 reserve officers. You are also proposing to rescind $1,940,000 of the 1981 appropriation. The total appropriation in 1981 originally was $27,137,000. After reducing that by $543,000 pursuant to the 1981 Appropration Act and factoring in this proposed rescission, the 1981 appropriation is now $24,654,000. Is that correct?

Mr. BRODSKY. Yes, sir.

Mr. BOLAND. I know you have a statement.

Dr. ROSTKER. I would like to insert it in the record.

Mr. BOLAND. Certainly, it is a fine statement.

[The statement follows:]

78-803 O - 81 - 40

STATEMENT OF

DR. BERNARD D. ROSTKER
DIRECTOR
OF THE
SELECTIVE SERVICE SYSTEM

Mr. Chairman, Members of the Committee, I am pleased to appear here today to discuss the Selective Service System's fiscal year 1982 budget and amendment, the fiscal year 1981 rescission proposal, and the success of the registration program.

As many of you remember, last year I promised to move the Selective Service from its "deep standby" posture and build a system which could meet the wartime manpower requirements of the Department of Defense. Since the resumption of registration, the System, in conjunction with the U.S. Postal Service, has registered 5.5 million young men. The compliance rate for last summer's registration, men born in 1960 and 1961, is now 95%. The compliance figure for the January, 1981, registration of men born in 1962 has initially resulted in a figure of 87%. Both these figures will continue to grow over time as late registrations are received. The Selective Service has now entered an era of continuous registration whereby young men will register at the post office when they reach 18 years of age.

As a result of wide-spread skepticism concerning the results of the registration, fostered by the publication of incomplete and erroneous surveys of post offices and statements by anti-registration groups, Selective Service asked the General Accounting Office (GAO) to audit the results of the 1980 registration. On December 19, 1980, GAO released its evaluation attesting to the validity of the figures and to the thoroughness and effectiveness of the registration program.

BUDGET OVERVIEW

There have been several changes in the fiscal year 1981 and 1982 budget plans pursuant to President Reagan's Program for Economic Recovery. The 1981 rescission proposal cancelled the procurement of the area office telecommunications terminals in the amount of $2.5 million and affects personnel and expense reductions in the amount of $.380 million. This action will permit the withdrawal of the fiscal year 1981 pay supplemental in the amount of $.940 million and a general rescission of $1.940 million. The decrease in budget authority for fiscal year 1981 thus totals $2.880 million from the original budget.

The Administration's budget amendment for fiscal year 1982 calls for a reduction of $1.63 million out of a total budget authority of $22.804 million. These savings will be made by cancelling the procurement of appeal board terminals and personnel reductions for fiscal year 1982.

THE 1982 PROGRAM

These budgetary reductions mentioned above will not impair the agency mobilization configuration or inhibit our future readiness posture. During fiscal year 1982, Selective Service will attain a revitalized posture and begin a steady state operation.

The registration, together with improvements in ADP technology and the enhancement of Selective Service planning has given the System the capability to reinstitute inductions rapidly. In the event of an emergency, the Selective Service System would begin transition from its new standby posture to an active operational organization. Operating under the Emergency Military Manpower Procurement System (EMMPS), a lottery will be conducted to assign Random Sequence Numbers (RSN) and an "order of call" would be established. The Director of Selective Service, acting for the President, would administratively assign 1-A (available for induction) classifications to registrants. Using the Selective Service master registration file, which will be assembled and maintained in RSN order, induction orders would be transmitted as Western Union Mailgrams. The Mailgrams would contain the following information:

- Identification of the inductee
- Orders to report to a designated Armed Forces Entrance and Examining Station at a specific date and time
- Information on procedures to follow if unable to comply with the induction order
- The address of the inductee's local board/area office to which claims should be sent.

Concurrently, Selective Service Reserve Officers would open 434 area offices at predesignated recruiting office locations and establish 95 district appeal board offices. Fifteen hundred pre-trained personnel would transfer from the Armed Forces Recruiting Commands to Selective Service to assist the officers assigned to the System's reserve force. These offices handle administrative claims and support the local boards who decide the judgmental claims for deferment or reclassification. Selective Service Reserve Officers would also reestablish the state headquarters to provide liaison with the Governor and will perform an Inspector General (IG) function for the Director of Selective Service. The IG function would include the examination and appraisal of the systems, procedures and records of the local boards in a state and would involve the inspection of registrant files and records for compliance with correct classification procedures. The regional offices provide administrative and logistical support to the state headquarters, district appeal board offices and area offices, and supervise area office operations. In addition, the regional offices will be responsible for providing a Selective Service liaison officer to each of the AFEES in the region.

Under EMMPS, after a registrant has received an order to report for induction he may either report as ordered or apply for a postponement, deferment or exemption. The requests for deferment or exemption would be

routinely received at the area offices where the compensated employees handle the adminsitrative classification action. The local boards and appeal boards would adjudicate registrant claims for judgmental classifications, such as conscientious objector, hardship, clergy and ministerial students.

These plans and procedures were tested in November 1980, when Selective Service, as part of the 1980 mobilization exercise "Proud Spirit" demonstrated its ability to mobilize the Nation's manpower. The Organization of the Joint Chiefs of Staff at their First Impressions Conference for Proud Spirit reported that:

> "Selective Service objectives in REX 80 BRAVO/PROUD SPIRIT 80 were to exercise and evaluate Selective Service induction procedures, field reconstitution and mobilization interfaces with DoD, FEMA and other civil agencies.
>
> Selective Service successfully exercised its emergency induction procedures by performing, in real time, required induction functions. This included conducting a lottery, developing induction legislation, running the computerized induction programs, producing induction orders, transmitting induction orders via Western Union Mailgram to the home addresses of 700 Selective Service reservists who acted as registrants, transmitting computerized induction data to and from MEPCOM, and testing the new Selective Service induction order.
>
> Selective Service field reconstitution was also successfully exercised...With the present registrant data base on hand, the Selective Service computer can start issuing induction orders from a cold start, but the standby field structure must be reconstituted to handle claims. The reconstitution portion of the exercise involved the simulation of physically reestablishing the 55 Selective Service State Headquarters, 434 Area Offices, and performing Armed Forces Entrance and Examining Station (AFEES) liaison functions. Selective Service reservists performed this activity during their annual two week training period.

Exercise results indicate Selective Service successfully achieved its exercise objectives. Most important, Selective Service demonstrated that Selective Service can provide DoD the required manpower under the most demanding DoD requirements."

The mission of the Selective Service, however, is twofold. Not only is the System dedicated to the goal of providing the untrained manpower needed to augment the AVF should it be needed, but we are committed to protecting individual rights through a fully developed system of due process. The activities we have been involved in during this past year have allowed us to fully meet our first goal, the activities we are currently performing will enable us to meet our second goal. The Selective Service is presently working to complete the adminstrative system to insure that every individual has access to a speedy, fair and impartial hearing on application for deferment, exemption or postponement. This "revitalization" of the System will include:

--the recruitment and training of standby local and appeal board members;

--the development of the management and ADP system to control the claims/adjudication systems;

--and the development an Alternative Service Program to complement the induction program.

Selection and Training of Local and Appeal Board Members

Selective Service cannot insure the fairness of the System without a well developed local and appeal board structure. The boards are

composed of citizen volunteers representative of the racial and national origin characteristics of their geographic area. These are the people who make the important judgments relating to an individual's claim for deferment or exemption from the draft. The fairness of the System will be judged by the quality of the boards and by the manner in which they adjudicate claims. For Selective Service to earn the support of the American public, the board members must be perceived to be honest, reasonable people, and trusted to make important decisions affecting the young men from their own counties. In order to insure that the boards understand Selective Service law, policies and procedures, we are for the first time in the history of the System undertaking a comprehensive program of training for the board members. Approximately 10,000 citizens will be recruited, selected and trained as board members, who in an emergency would reestablish our local draft boards.

With the support of Governor Harry Hughes, the selection process has begun in the State of Maryland. Over 750 information letters on the selection process have been sent to community organizations, public officeholders, and representatives of the media in an effort to seek widespread participation in the program. The program will begin in other parts of the country in May.

Applications received from potential board members will be screened by Selective Service personnel to assure that the applicants meet the qualifications stipulated by law.

The guidelines for the selection program are:

- o it must be open to public participation
- o it must have a strong affirmative action plan to assure adequate representation of minority groups
- o it must recruit individuals respected by their communities; and
- o it must consistently produce capable board members who meet the statutory requirements.

Selective Service recommendations will then be forwarded to the governor who will nominate individuals to serve on the standby boards.

Once the standby board members are selected, training conferences will be held throughout the country. The importance of properly training board members cannot be overemphasized. Registrants have specific rights and each board member has specific responsibilities to both the registrants and the Selective Service System. Board members are required to adjudicate claims by registrants and must be able to examine, document and, in some cases, take statements. They must also make a determination on the facts, and apply such facts to the law and regulations, and make their decisions based upon those same facts, law and regulations. It is expected that all the training conferences will have been conducted by early 1982. The primary emphasis then will be towards followup training, and selection to replace members lost through attrition.

Alternative Service

Following a long tradition the Military Selective Service Act recognizes that there are individuals whose religious or moral beliefs prohibit them from participating in any type of warfare. Thus conscientious

objectors are exempted from military service, but must, in lieu of induction, fulfill their citizen obligation by performing "such civilian work contributing to the maintenance of the national health, safety or interest as the Director may deem appropriate." The Director of Selective Service is specifically charged with the responsibility "for the placement of such persons (conscientious objectors) in appropriate civilian work."

Until 1970, conscientious objection was limited to persons who, by reason of religious training and belief, were conscientiously opposed to participation in war in any form. The Seeger and Welsh decisions of 1965 and 1970 opened up the conscientious objector classification to persons whose opposition to war was based on deeply held moral and ethical values; a religious foundation was not necessary. This decision combined with an unpopular war, led to a surge in registrants classified as conscientious objectors, from a yearly average of 11,000 in the early 1960's to 49,000 in 1971.

In order to make contingency plans for alternative service in the event of a full-scale mobilization, an alternative service unit was created in National Headquarters. This unit has published an Alternative Service Concept Paper which describes how, in case of full-scale mobilization, Selective Service might work with the Federal Emergency Management Agency (FEMA), the Department of Labor and other agencies. Under the draft concept there are three primary program components:

1. The Alternative Service Program must identify areas of crucial civilian manpower shortages and set placement priorities.
2. Within the priority areas, the Alternative Service Program would identify specific job openings.
3. The Alternative Service Program should be able to determine the aptitudes and abilities of participating Conscientious Objectors and match them with jobs contributing to the national health, safety or interest.

The concept paper was published for comment in the Federal Register on January 22. Comments are to be received by March 31. At that time they will be reviewed and appropriate revisions will be made in the planning concept.

We will be happy to share with the Committee the nature of the individual responses received, and the Selective Service's rationale for accepting or rejecting the various comments.

Data Processing

In deciding how best to manage the "revitalized" System, Selective Service must make sure that any new ADP system facilitates the entire registration-to-induction process. Responsibility for this process is shared by the Selective Service and DoD's Military Enlistment Processing Command (MEPCOM).

H.J. Res. 521 and the fiscal year 1981 budget approved by Congress contained funds for the development of a Joint Computer Center to support both MEPCOM and Selective Service. The Center will become operational in late 1981 and will follow the policy agreed to by the Director of Selective Service and the Secretary of Defense:

> The Department of Defense should not in any way be involved in the process by which the Selective Service System adjudicates claims for deferment or exemption, and procedures and safeguards will be developed to insure that the Department of Defense will not have access to any of the data files of the Selective Service System.

Priority revitalization activities involving ADP in fiscal year 1980 and fiscal year 1981 were the development of programs for managing the registration-to-induction process and the establishment of the joint computer center. Completion of the revitalization program will be accomplished in fiscal year 1982. It is the only program increase that has been requested.

The central question for the Selective Service is, of course, "Who shall serve when not all serve?" We feel that with the effective implementation of this revitalization program that selection would be made in as fair and equitable manner as possible.

Mr. Chairman, that concludes my statement. I would like to take this opportunity, however, to express my appreciation for the support of this committee in particular and of the Congress in general which has enabled the Selective Service to reach the level of readiness that it has today.

GENERAL STATEMENT

Dr. ROSTKER. As many of you remember, last year I promised to move the Selective Service from its "deep standby" posture and build a system which could meet the wartime requirements of the Department of Defense. Since the resumption of registration, the System, in conjunction with the U.S. Postal Service, has registered 5.5 million young men. The compliance rate for last summer's registration, men born in 1960 and 1961, is now 95 percent. The compliance figure for the January 1981 registration of men born in 1962 has initially resulted in a figure of 87 percent. Both these figures will continue to grow over time as late registrations are received. The Selective Service has now entered an era of continuous registration whereby young men will register at the post office when they turn 18 years of age.

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The registration, together with improvements in ADP technology and the enhancement of Selective Service planning has given the System the capability to reinstitute inductions rapidly. In the event of an emergency, the Selective Service System would begin transition from its new standby posture to an active operational organization.

MISSION OF A "REVITALIZED" SELECTIVE SERVICE

The mission of the Selective Service, however, is twofold. Not only is the System dedicated to the goal of providing the untrained

manpower needed to augment the AVF should it be needed, but we are committed to protecting individual rights through a fully developed system of due process. The activities we have been involved in during this past year have allowed us to fully meet our first goal: the activities we are currently performing will enable us to meet our second goal. The Selective Service is presently working to complete the administrative system to insure that every individual has access to a speedy, fair, and impartial hearing on application for deferment, exemption, or postponement. This "revitalization" of the System will include:

The recruitment and training of standby local and appeal board members;

The development of the management and ADP system to control the claims/adjudication process;

And the development of an Alternative Service Program to complement the induction process.

Mr. Chairman, that concludes my oral statement. I would like to take this opportunity, however, to express my appreciation for the support of this Committee, in particular, and of the Congress, in general, which has enabled the Selective Service to reach the level of readiness that it has today.

ADMINISTRATION POSITION ON REGISTRATION

Mr. BOLAND. Thank you very much, Mr. Director.

During the campaign, Mr. Reagan voiced misgivings about peacetime registration. The Reagan budget amendments have not really affected the Selective Service System: for example, the budget request still contains funds for premobilization registration. That is correct, isn't it?

Dr. ROSTKER. That is correct.

Mr. BOLAND. Do you have any idea what the President's present position is now regarding peacetime registration?

Dr. ROSTKER. No, I don't. He was asked that question at a recent press conference. He indicated it was under review, and to the best of my knowledge, it remains under review.

Mr. BOLAND. How much money could be saved in the Selective Service 1982 request if registration were stopped?

Dr. ROSTKER. Approximately $4 million. If we cancelled an active registration program, we could save $4 million.

GENERAL ACCOUNTING OFFICE REPORT

Mr. BOLAND. The General Accounting Office has evaluated the recent draft registration program. A report was submitted to the Subcommittee on December 19, 1980. The report stated, and I quote: "Overall, we did not find any major problems with the manner in which registration was organized and conducted."

Has the Selective Service System changed its method of operation in any manner because of the GAO report?

Dr. ROSTKER. No, we were very pleased with the GAO report. They validated our findings, and we feel the system we developed is working well.

Mr. BOLAND. We'd like to compliment you on the way in which you organized and conducted the premobilization program.

DEFENSE DEPARTMENT WARTIME INDUCTION REQUIREMENTS

Last year, there was some discussion about the Selective Service System's ability to meet the Department of Defense's wartime induction requirements without premobilization registration. This of course, was completely the opposite of what had been testified in previous years.

Having now put most of the registration equipment in place and having registered three year-of-birth groups (1960, 1961, and 1962), do you believe the Selective Service System could have met DoD's mobilization timetable without a peace-time registration?

Dr. ROSTKER. No; absolutely not.

Mr. BOLAND. The Selective Service System's premobilization registration plan calls for providing 100,000 inductees in 30 days and 650,000 in 125 days after mobilization.

Is that correct?

Dr. ROSTKER. The plan has actually been speeded up. The Department of Defense would like their first inductees in 13 days, which the system, with registration, can meet. We can meet the requirement of 100,000 inductees in 30 days. From then on, we can meet any higher number that the Defense Department desires.

Mr. BOLAND. You are speeding up from 30 days to 13 days?

Dr. ROSTKER. The first induction would be in 13 days. But, we have proved through an exercise that we can beat the 13 days.

Mr. GREEN. According to your statement, those to whom you sent telegrams were proud to do service. Have you done any checking to see that the addresses continue to be accurate?

Dr. ROSTKER. Yes. We sent confirmation letters to all in the pool. Out of four million sent, we were able to deliver all but 50,000.

Mr. BOLAND. Last year's hearing record indicated on page 48 that the Army had the capability to accept about 70,000 to 80,000 individuals for initial training by M+30 days. The testimony also indicated on page 49 that the Department of Defense currently did not have the capability to begin training 650,000 inductees by M+125 days.

Has the military's capacity to begin training inductees increased?

Dr. ROSTKER. I am not the expert, and I cannot comment on those numbers. But, I can tell you that the Defense Department has been working very hard over the last year to improve its mobilization posture. I understand, for example, they have provided funds to buy uniforms and fully equip the draftees who would come into the system after a mobilization. On the question of specific numbers, I will have to defer to the Defense Department.

Mr. BOLAND. Provide for the record a table showing numbers of people and delivery schedule of the Defense Department's manpower requirements, the current Selective Service System's capacity to deliver inductees, and the military's capability to begin training.

[The information follows:]

TRAINING CAPABILITY

The manpower delivery schedule requested by the Department of Defense and the Selective Service capability are summarized in the following table.

	First inductee	100,000 inductees
DoD requested delivery schedule	M+13	M+30
Selective Service capability	M+13	M+30

The capability of a revitalized Selective Service System will be fully attained when Local Board members have been appointed and trained and an Alternative Service program has been established.

The Department of Defense advises that the military training base is capable of accepting for training the individuals requested in the delivery schedule noted above. Specifically, the Department of Defense reports that the Army, which would receive most early draftees, could accept 133,000 new trainees by M+30 days, of which about 80,000 would be inductees. Those figures reflect current cadre and emergency billeting capability. Current shortages of individual clothing and equipment, and shortages of unit equipment further constrain total capability to about 83,000 new trainees by M+30. The fiscal year 1982 budget and amendment submitted on March 10, 1981 include programs to begin to alleviate these shortages.

CONSTITUTIONALITY OF AN ALL-MALE REGISTRATION

Mr. BOLAND. As I understand it, the constitutionality of an all-male registration has not been resolved. That issue is in the courts now.

Dr. ROSTKER. Yes, sir. In fact, this Tuesday the case was before the Supreme Court. I would not want to guess what the Court will do. We are prepared to initiate a female registration if that becomes necessary. But, I would like to point out one thing concerning the argument about registering females. If the Court rules against this registration, the problem before the Congress will not be what mobilization posture we will have, but whether we will have any registration at all to help mobilize and augment our Armed Forces.

USE OF SOCIAL SECURITY NUMBER

Mr. BOLAND. On November 14, 1980, a U.S. District Court decision stated that the Selective Service System's use of social security numbers in the registration process violated the Privacy Act.

What is the status of that decision?

Dr. ROSTKER. We have appealed that decision.

Mr. BOLAND. Has the Administration proposed legislation addressing this problem?

Dr. ROSTKER. No. I did make a report to the Senate Appropriations Committee. I believe a copy was sent to you. We will provide that for the record.

[The report follows:]

Selective Service System
National Headquarters / Washington, D.C. 20435

January 15, 1981

Honorable Mark Hatfield
Chairman, Senate Appropriations Committee
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

The Senate Appropriations Committee in Senate Report No. 96-926 has requested that Selective Service report on its plan to locate and prosecute the non-registrants from the 1980 draft registration and the status of those who registered after the prescribed two week period.

Results of the 1980 National Registration

At this time, based upon the results of the 1980 National Registration, the magnitude of the compliance problem is small. As of December 31, 1980, Selective Service has received 3,682,755 registrations out of an estimated eligible population of 3.88 million or 95% compliance. (The accuracy of the Selective Service data processing and reporting system was attested to in GAO Report "Evaluation of the Recent Draft Registration (FPCD-81-30), which is attached). We expect the percentage of compliance to increase as we continue to receive late registrations. We also expect that the percentage compliance will increase in future registration periods as the process becomes more regular and the high level of compliance becomes known.

The Objective of a Compliance Program

A knowing failure to register by those required to do so is a criminal offense punishable by a fine of up to $10,000, or imprisonment for up to two years, or both. This criminal penalty and the response of those subject to the Military Selective Service Act to meet their legal responsibilities has resulted in the high level of compliance with the registration requirements. However, the failure of some to register is a serious offense and it places an undue burden upon those who do register as the law requires. Failure to enforce the law will surely result in reduced levels of future compliance and will erode the effectiveness of the military manpower mobilization system. As a result Selective Service has been working on both an active and passive compliance program.

The objective of our compliance efforts is to encourage registration. This is best served by an aggressive program of identification of non-registrants. If an effective identification system is developed, few actual prosecutions should be necessary since in the vast majority of cases the mere loss of a sense of anonymity will convince individuals to register. The key to the compliance program is identification.

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Active Compliance Program

Past compliance programs hold few lessons for today. During the active draft period young men registered at thousands of local draft boards with large staffs which had access to local sources of information. Because of the standby nature of the Selective Service System, the current registrations are centrally run programs with limited staff and resources.

The most efficient and effective program for identification of non-registrants would involve a comparison between a list of registrants with a list or lists of those who would appear to be subject to the legal requirement to register. Non-Federal sources of data - such as commercial lists or files maintained by individual states - have been used in the past, but would not in my judgement provide for equitable enforcement of the law. The most comprehensive list of potential registrants is the Social Security file. All other potential sources would systematically exclude some segment of the potential registrant population. For example, if we used driver's license registrations and a given State would not or could not provide the needed data, then our compliance program would be reduced in that State. Further, the Selective Service System is a Federal program and we should not have to rely on, or burden, individual States or private companies to enforce a Federal statute.

The Federal compliance program should be based upon:

(1) Selective Service registrants providing their Social Security Account Number at time of registration or through the Confirmation Letter process.

(2) Matching of social security records and Selective Service registration records by year of birth for the purpose of identifying those who apparently violated the Military Selective Service Act.

(3) Obtaining current addresses for suspected non-registrants from the Internal Revenue Service. (This is currently authorized by the U.S. Code which, in 26 USC and 6103 (i)(2), explicitly states that a taxpayer's name and address are not treated as taxpayer return information when an agency head requests them for use in an administrative or judicial proceeding.)

The U.S. District Court for the District of Columbia ruled on November 24, 1980 that the Selective Service System was not entitled to require registrants to provide Social Security Account Numbers because of the Privacy Act of 1974. If sustained, this ruling would seriously compromise a program to identify those who have violated the Military Selective Service Act. Judge Gesell noted, "The Court is well aware of the impact of this decision. There is an obvious need for verification of identity by Social Security number in this instance." Although this ruling is being appealed, it is illustrative of the difficulties the Selective Service System will face in the implementation of a compliance program. In order to equitably and expeditiously enforce the statute and to avoid continuing litigation under the Privacy Act, the Congress may want to consider providing the Selective Service System with the explicit authority to require registrants to provide Social Security numbers and allowing a match of Social Security and Selective Service records and access to current address information from the Internal Revenue Service for the purpose of full program implementation.

In considering the ongoing litigation and the possibility of an explicit grant of authority, the Congress should note that a failure to register is not a victimless crime. In the event of a war, the registration pool is reduced, on a one-to-one basis by those who

did not register. This in turn directly increases the probability that a registrant, one who obeyed the law, would be drafted. In fact, if we return to conscription, there are young men by name who would be drafted only because other men failed to register.

In part, because of the ongoing litigation, the cost of an active enforcement program was not included in the FY 1982 budget submitted to Congress on January 15, 1981. The cost of a program outlined above is estimated to be:

	FY 1981	FY 1982
Staff	7	7
Cost ($)	1,070,000	430,000

Passive Compliance Program

From time to time the Selective Service System receives unsolicited reports on possible violators of the Military Selective Service Act. The Selective Service System will verify whether a possible violator has registered. If we cannot verify a registration, the original report, together with a confirmation of nonregistration will be forwarded to the Department of Justice. We will maintain an open file until notified of disposition of the case by the Attorney General.

Status of Late Registrants

The Selective Service System continues to receive and accept late registrations. We presume that pursuant to Presidential Proclamation 4771 of July 2, 1980, Section 1-109, those persons who have registered late have done so "for some condition beyond their control." As such the Department of Justice does not intend to take legal action.

Sincerely,

Bernard Rostker
Director

Dr. ROSTKER. The clear conclusion is that without the social security number, and actually even if the Court allows us to request the social security number, enforcing the Act would be very difficult. The Congress may in fact want to consider some changes to the Privacy Act to make enforcement easier. But, that is not an Administration position, and we are not asking Congress to consider a change.

Mr. BOLAND. I take it then, that there are no other alternative data verification controls that could be developed?

Dr. ROSTKER. I think that is right. In going back and looking at this, we considered the experience Curtis Tarr had in the early 1970s when he was Director. In his reflections on his tenure at Selective Service, he made the following statement:

The most disturbing silent protest against Selective Service arose from failure to register. Only the young man knew certainly if he had complied with the law. We had no way to check upon his doing so. At one point I investigated whether it would be possible for us to compare our records with those of Social Security or Internal Revenue. I was told bluntly that doing this would infringe upon the privacy of the individual. I understood this, but I worried about the rights of the individual who had to go to war because another did not fulfill his obligation. Only in the small communities, where private matters often are perceived generally, did our boards know if young men registered.

That reflects the experience of the Director in the early 1970s. I would completely agree. Without clear access to social security records, Selective Service will have to rely on a more passive

program. We have developed a passive program. We are receiving allegations from the general citizenry, and we are investigating those allegations and other individuals who, we believe, failed to comply. Their names will be sent to the Attorney General.

STATE MOTOR VEHICLE REGISTRATION DATA

Mr. BOLAND. What about using motor vehicle registration as an alternate data verification control?

Dr. ROSTKER. We looked at a whole range of things, from motor vehicle registration to college enrollment records. There is no uniform national system. We would then have to rely on the good graces of a Governor in the State. We could have a situation where I would come to Congress and tell you that we can enforce the law in California but not in Illinois, or in Kentucky but not Massachusetts. This is a national program, and I do not think it reliable to rely on State data where the enforcement would, as a result, be different across the various States of the Union.

PROSECUTION OF NON-REGISTRANTS

Mr. BOLAND. Last year there was a concern that young men would not register and thus face prosecution for violation of the law. Judging by the compliance rate—95 percent for last summer's registration of men born in 1960 and 1961—it appears that most young men have registered.

Dr. ROSTKER. That is correct.

Mr. BOLAND. How will you find those who have not registered? Will the Justice Department prosecute individuals who did not register?

Dr. ROSTKER. There are two ways. As I indicated they are passive and active. We are fully engaged in a more passive program. We take referrals from the general citizenry and the names are referred to the Attorney General. It is our understanding prosecutions will result.

The question, in a more general sense, is there a larger data base with which we could compare? It is our conclusion, as I believe it was Mr. Tarr's conclusion, that the best comparison would be with social security data.

RESERVE FORCES POLICY BOARD REPORT

Mr. BOLAND. Let me ask you about the Pentagon Advisory Board. The Reserve Forces Policy Board recently proposed a way of solving the problem of a lack of trained manpower in the event of mobilization. The Board proposed reviving the draft in a try-it-before-you-buy-it form. This would give youths a six-month taste of military life before making them choose between longer active duty or reserve service.

Who is on the Reserve Forces Policy Board and what is its purpose?

Dr. ROSTKER. This is a board that does not directly impact on the Selective Service System. It is my understanding the members of the Board are invited participants in addition to the various Assistant Secretary's from the military departments.

Please allow me to stress that the Selective Service has not and will not enter into any dialog on the need to return to conscription. We have a mobilization assignment today in support of the All Volunteer Force. If a determination is made by the Administration and the Congress to return to peacetime conscription, we could modify our program and support such a policy change. We have the capability, but I think it is wise to simply leave our involvement in the question of the All Volunteer Force—

Mr. BOLAND. Is the Administration advocating a policy decision to return to the draft?

Dr. ROSTKER. No, there is no such policy being officially advocated.

LOCAL DRAFT BOARD SELECTION

Mr. BOLAND. The Selective Service recently began a program of selecting and training citizens to become members of local draft boards in the State of Maryland. When will the selection and training of local Board members be completed in the State of Maryland?

Dr. ROSTKER. It will be about a two or three month process. We just started it this morning. We had to put the program on hold for awhile. We started the program by gaining the concurrence of the Governor. The next step was to notify some 600 organizations as to the purpose of the program and solicit their support in helping to identify citizens who would be appropriate for board membership. We are in the midst of this process now. We will start a similar program in Kentucky in the next few weeks. We will then have a conference of all our State directors in April and May.

Mr. BOLAND. When will selection and training of local board members be complete nationwide?

Dr. ROSTKER. Some of it will be done by the end of fiscal year 1981. Some will go into fiscal year 1982.

Mr. BOLAND. Will appeal board members be selected and trained at the same time?

Dr. ROSTKER. Yes.

Mr. BOLAND. How much money do you have in the 1982 budget request for this activity?

Dr. ROSTKER. A million dollars for what would basically be training.

Mr. BOLAND. How many local draft board members are there throughout the Nation?

Dr. ROSTKER. About 10,000.

Mr. BOLAND. Of course, the success of the draft itself depends on the members who serve on that Board. One of the most attractive features of local board membership is the fact that members are volunteers, who are interested and are willing to spend an awful lot of their time to work for the success of the draft program.

Dr. ROSTKER. For the first time in years we will undertake a training program to make sure the people who will be serving their neighbors are fully aware of the law, procedures, and court rulings affecting the classification process.

1982 BUDGET AMENDMENT

Mr. BOLAND. Page 4 of the 1982 Carter budget requested $1,100,000 for computer terminals and programming for the 96 appeal boards. The Reagan amendment deleted that request.

Have the appeal boards been established?

Dr. ROSTKER. No, Sir. We delayed all the field terminals both in the area offices and at the appeal level.

Mr. BOLAND. But you are establishing appeal Boards?

Dr. ROSTKER. Yes.

Mr. BOLAND. Where will they be established?

Dr. ROSTKER. One will be established in each of 96 Federal judicial districts.

Mr. BOLAND. Please list those districts for the record.

[The information follows:]

U. S. DISTRICT COURTS AS OF 1 SEPTEMBER 1980

(Including District of Columbia, Guam, Northern Mariana Islands, Puerto Rico, Virgin Islands, and the Canal Zone)

1. U.S.D.C., Northern District of Alabama
104 Federal Courthouse
Birmingham, Alabama 35203

2. U.S.D.C., Middle District of Alabama
U. S. Courthouse
Montgomery, Alabama 36101

3. U.S.D.C., Southern District of Alabama
U. S. Courthouse
Mobile, Alabama 36601

4. U.S.D.C., District of Alaska
Federal Building
701 C Street
Anchorage, Alaska 99513

5. U.S.D.C., District of Arizona
6218 U. S. Courthouse
Phoenix, Arizona 85025

6. U.S.D.C., Eastern District of Arkansas
U. S. Courthouse
600 West Capital
Little Rock, Arkansas 72203

7. U.S.D.C., Western District of Arkansas
Post Office Building
Sixth and Rogers
Fort Smith, Arkansas 72902

8. U.S.D.C., Northern District of California
U. S. Courthouse
San Francisco, California 94102

9. U.S.D.C., Eastern District of California
2546 U. S. Courthouse
650 Capitol Mall
Sacramento, California 95814

10. U.S.D.C., Central District of California
U. S. Courthouse
312 N. Spring Street
Los Angeles, California 90012

11. U.S.D.C., Southern District of California
1N20 U. S. Courthouse
940 Front Street
San Diego, California 92189

12. U.S.D.C., District of the Canal Zone
U. S. District Court Building
Balboa Heights
Ancon, Panama Canal Zone
PSC Box 2006
APO Miami, Florida 34002

13. U.S.D.C., District of Colorado
C-550 U. S. Courthouse
1929 Stout Street
Denver, Colorado 80294

14. U.S.D.C., District of Connecticut
141 Church Street
Federal Building
New Haven, Connecticut 06505

15. U.S.D.C., District of Delaware
Federal Building
844 King Street
Wilmington, Delaware 19801

16. U.S.D.C., Northern District of Florida
Federal Building
110 E. Park Avenue
Tallahasee, Florida 32302

17. U.S.D.C., Middle District of Florida
U. S. Courthouse
311 W. Monroe Street
Jacksonville, Florida 32201

18. U.S.D.C., Southern District of Florida
U. S. Courthouse
Flagler Station
300 N. E. First Avenue
Miami, Florida 33101

19. U.S.D.C., Northern District of Georgia
2211 U. S. Courthouse
75 Spring Street, S. W.
Atlanta, Georgia 30303

20. U.S.D.C., Middle District of Georgia
U. S. Courthouse
475 Mulberry Street
Macon, Georgia 31202

21. U.S.D.C., Southern District of Georgia
U. S. Courthouse
125 Bull Street
Savannah, Georgia 31402

22. U.S.D.C., District of Guam
Pacific News Building
Agana, Guam 96910

23. U.S.D.C., District of Hawaii
PJKK Federal Building
300 Ala Moana Blvd.
Honolulu, Hawaii 96850

24. U.S.D.C., District of Idaho
U. S. Courthouse
550 W. Fort Street
Boise, Idaho 83724

25. U.S.D.C., Northern District of Illinois
U.S. Courthouse
219 S. Dearborn Street
Chicago, Illinois 60604

26. U.S.D.C., Central District of Illinois
254 Federal Building
100 N.E. Monroe
Peoria, Illinois 61602

27. U.S.D.C., Southern District of Illinois
Federal Courthouse
750 Missouri Avenue
East St. Louis, Illinois 62202

28. U.S.D.C., Northern District of Indiana
305 Federal Building
204 S. Main Street
South Bend, Indiana 46601

29. U.S.D.C., Southern District of Indiana
U. S. Courthouse
46 E. Ohio Street
Indianapolis, Indiana 46204

30. U.S.D.C., Northern District of Iowa
101 Federal Building
Cedar Rapids, Iowa 52407

31. U.S.D.C., Southern District of Iowa
200 U. S. Courthouse
E. First and Walnut Streets
Des Moines, Iowa 50309

32. U.S.D.C., District of Kansas
U. S. Courthouse
410 North Market
Wichita, Kansas 67201

33. U.S.D.C., Eastern District of Kentucky
Federal Building
Barr and Limestone Streets
Lexington, Kentucky 40584

34. U.S.D.C., Western District of Kentucky
230 U. S. Courthouse
Louisville, Kentucky 40202

35. U.S.D.C., Eastern District of Louisiana
C-104 U. S. Courthouse
500 Camp Street
New Orleans, Louisiana 70130

36. U.S.D.C., Western District of Louisiana
3A10 Federal Building
500 Fannin Street
Shreveport, Louisiana 71101

37. U.S.D.C., District of Maine
U. S. Courthouse
156 Federal Street
Portland, Maine 04101

38. U.S.D.C., District of Maryland
U. S. Courthouse
101 W. Lombard Street
Baltimore, Maryland 21201

39. U.S.D.C., District of Massachusetts
1128 U. S. Courthouse
Boston, Massachusetts 02109

40. U.S.D.C., Eastern District of Michigan
133 U. S. Courthouse
231 W. Lafayette
Detroit, Michigan 48226

41. U.S.D.C., Western District of Michigan
458 Federal Building
110 Michigan, N. W.
Grand Rapids, Michigan 49503

42. U.S.D.C., District of Minnesota
708 Federal Building
316 N. Robert Street
St Paul, Minnesota 55101

43. U.S.D.C., Northern District of Mississippi
Federal Building
911 Jackson Avenue
Oxford, Mississippi 38655

44. U.S.D.C., Southern District of Mississippi
U. S. Post Office
Jackson, Mississippi 39205

45. U.S.D.C., Eastern District of Missouri
730 U. S. Courthouse
1114 Market Street
St Louis, Missouri 63101

46. U.S.D.C., Western District of Missouri
201 U. S. Courthouse
811 Grand Avenue
Kansas City, Missouri 64106

47. U.S.D.C., District of Montana
5405 Federal Building
316 N. 26th Street
Billings, Montana 59101

48. U.S.D.C., District of Nebraska
9000 U. S. Courthouse
Omaha, Nebraska 68101

49. U.S.D.C., District of Nevada
3-632 U. S. Courthouse
300 Las Vegas Blvd S.
Las Vegas, Nevada 89101

50. U.S.D.C., District of New Hampshire
Federal Building
55 Pleasant Street
Concord, New Hampshire 03301

51. U.S.D.C., District of New Jersey
U. S. Courthouse
402 E. State Street
Trenton, New Jersey 08605

52. U.S.D.C., District of New Mexico
11006 U. S. Courthouse
500 Gold Avenue
Albuquerque, New Mexico 87102

53. U.S.D.C., Northern District of New York
U. S. Courthouse
Albany, New York 12201

54. U.S.D.C., Southern District of New York
U. S. Courthouse
40 Foley Square
New York, New York 10007

55. U.S.D.C., Eastern District of New York
208 U. S. Courthouse
225 Cadman Plaza East
Brooklyn, New York 11201

56. U.S.D.C., Western District of New York
312 U. S. Courthouse
68 Court Street
Buffalo, New York 14202

57. U.S.D.C., Eastern District of North Carolina
Federal Building
310 New Bern Avenue
Raleigh, North Carolina 27611

58. U.S.D.C., Western District of North Carolina
209 Post Office Building
401 West Trade Street
Charlotte, North Carolina 28232

59. U.S.D.C., Middle District of North Carolina
418 U. S. Courthouse
324 Market Street
Greensboro, North Carolina 27402

60. U.S.D.C., District of North Dakota
U. S. Courthouse
Bismarck, North Dakota 58501

61. U.S.S.C., District of the Northern Mariana Islands
Intercontinental Hotel
Saipan, N. M. I. 96950

62. U.S.D.C., Northern District of Ohio
328 U. S. Courthouse
Public Square
Cleveland, Ohio 44114

63. U.S.D.C., Southern District of Ohio
328 U. S. Courthouse
85 Marconi Blvd
Columbus, Ohio 43215

64. U.S.D.C., Northern District of Oklahoma
411 U. S. Courthouse
333 W. 4th Street
Tulsa, Oklahoma 74103

65. U.S.D.C., Eastern District of Oklahoma
U. S. Courthouse
Muskogee, Oklahoma 74401

66. U.S.D.C., Western District of Oklahoma
3210 U. S. Courthouse
200 W. 4th Street
Oklahoma City, Oklahoma 73102

67. U.S.D.C., District of Oregon
516 U. S. Courthouse
620 S. W. Main Street
Portland, Oregon 97205

68. U.S.D.C., Eastern District of Pennsylvania
2609 U. S. Courthouse
Independence Mall West
601 Market Street
Philadelphia, Pennsylvania 19106

69. U.S.D.C., Middle District of Pennsylvania
U. S. Courthouse
Washington Avenue and Linden Street
Scranton, Pennsylvania 18501

70. U.S.D.C., Western District of Pennsylvania
U. S. Courthouse
7th and Grant Streets
Pittsburgh, Pennsylvania 15230

71. U.S.D.C., District of Puerto Rico
U. S. Courthouse
San Juan, Puerto Rico 00904

72. U.S.D.C., District of Rhode Island
119 U. S. Courthouse
Exchange Street
Providence, Rhode Island 02903

73. U.S.D.C., District of South Carolina
206 U. S. Courthouse
1100 Laurel
Columbia, South Carolina 29202

74. U.S.D.C., District of South Dakota
220 U. S. Courthouse
400 S. Phillips Avenue
Sioux Falls, South Dakota 57102

75. U.S.D.C., EASTERN District of Tennessee
Federal Building
Knoxville, Tennessee 37901

76. U.S.D.C., Middle District of Tennessee
800 U. S. Courthouse
8th Avenue and Broadway
Nashville, Tennessee 37203

77. U.S.D.C., Western District of Tennessee
950 Federal Building
167 N. Main Street
Memphis, Tennessee 38103

78. U.S.D.C., Northern District of Texas
15C22 U. S. Courthouse
1100 Commerce Street
Dallas, Texas 75242

79. U.S.D.C., Southern District of Texas
U. S. Courthouse
515 Rusk
Houston, Texas 77208

80. U.S.D.C., Eastern District of Texas
Federal Building
Beaumont, Texas 77704

81. U.S.D.C., Western District of Texas
U. S. Courthouse
Hemisfair Plaza
655 E. Durango Blvd
San Antonio, Texas 78206

82. U.S.D.C., District of Utah
U. S. Courthouse
350 S. Main Street
Salt Lake City, Utah 84101

83. U.S.D.C., District of Vermont
Federal Building
Burlington, Vermont 05402

84. U.S.D.C., District of the Virgin Islands
U. S. Courthouse
Charlotte Amalie
St Thomas, Virgin Islands 00801

85. U.S.D.C., Eastern District of Virginia
U. S. Courthouse
600 Granby Street
Norfolk, Virginia 23501

86. U.S.D.C., Western District of Virginia
U. S. Courthouse
210 Franklin Road
Roanoke, Virginia 24006

87. U.S.D.C., Eastern District of Washington
U. S. Courthouse
W. 904 Riverside Avenue
Spokane, Washington 99210

88. U.S.D.C., Western District of Washington
308 U. S. Courthouse
1010 Fifth Avenue
Seattle, Washington 98104

89. U.S.D.C., Northern District of West Virginia
U. S. Courthouse
Elkins, West Virginia 26241

90. U.S.D.C., Southern District of West Virginia
4402 U. S. Courthouse
500 Quarrier Street
Charleston, West Virginia 25329

91. U.S.D.C., Eastern District of Wisconsin
362 U. S. Courthouse
517 E. Wisconsin Avenue
Milwaukee, Wisconsin 53202

92. U.S.D.C., Western District of Wisconsin
U. S. Courthouse
215 Monroe Avenue
Madison, Wisconsin 53701

93. U.S.D.C., District of Wyoming
U. S. Courthouse
2120 Capitol Avenue
Cheyenne, Wyoming 82001

94. U.S.D.C, District of Columbia
U. S. Courthouse
3rd and Constitution Ave, NW
Washington, D. C. 20001

IMPORTANCE OF COMPUTER TERMINALS

Mr. BOLAND. How important is it to have computer terminals installed at appeal boards?

Dr. ROSTKER. The system will have access to computer terminals. The Army is purchasing terminals compatible with our needs. Upon mobilization, we will have access to those terminals. So, we feel to have purchased the terminals, both at the area offices and at the appeal board offices, would have been a duplication unnecessary——

Mr. BOLAND. Unnecessary in 1982 and I presume, 1983?

Dr. ROSTKER. Unnecessary at this point in 1981 and 1982. There is no money for it in 1983. If for some reason, as we get further into the program, we find out the Army does not purchase the terminals that are required, or that the terminals have a configuration incompatible with our system, we may come back to the Congress and ask for the money. However, we are on review panels and design panels with the Army, and we feel confident the terminals will be compatible.

Mr. GREEN. Are you reasonably confident that at the time of mobilization there will not be other traffic and you will be able to use the system?

Dr. ROSTKER. Sir, we have been working closely with the other services. We will take over recruiting stations at 435 locations; 1,500 persons will join our ranks until we get replacements.

Last year we practiced that. We took our 715 reservists and gave them specific assignments. Four hundred were assigned to area offices. Last summer, they surveyed the equipment, then trained the recruiters working with them. They will be doing that every summer.

So, we are quite confident that we not only have a good working relationship, but that we will practice that working relationship which will now include computer terminals, personnel, and physical sites.

MEPCOM—SSS JOINT COMPUTER CENTER

Mr. BOLAND. On page four of the justifications, the Selective Service is requesting an increase of $250,000 in 1982 for the contribution to the Military Enlistment Processing Command (MEPCOM).

Where is the joint computer center located?

Dr. ROSTKER. Great Lakes Naval Center.

Mr. BOLAND. What are the responsibilities of the Selective Service System and MEPCOM regarding the joint computer system? Who actually runs the center?

Dr. ROSTKER. It is a joint service command. The computer center by letter of agreement between the Secretary of Defense and myself will be a joint center. MEPCOM is the executive agency, but we have a joint policy committee.

Mr. BOLAND. How much money is in the 1982 request for the joint computer center? How many people will be assigned to the center in 1982?

Dr. ROSTKER. $900,000 from our side plus 86 positions.

During this registration period, we secured the services of contractors to actually handle the logging in of registration material, some of the keypunching material when the IRS and the Social Security terminals went off line and the like. That whole activity will be duplicated and brought in-house in Chicago. The majority of the personnel increases reflected in these budget submittals will go to man that center.

Incidentally, the determination is that by bringing it in house we will be able to save around $300,000 a year.

Mr. BOLAND. Provide for the record a list of all the Selective Service's computer equipment by location.

[The information follows:]

SSS EQUIPMENT

Computer equipment currently utilized by the Selective Service System is installed at the following locations:

(1) Equipment owned and operated by Selective Service at Alexandria, Virginia:

(a) 1—Burroughs B-3500 small-scale computer with 150,000 characters of internal memory, 250 million characters of on-line disk storage, and assorted peripheral devices including tape units, printers, communications controller with 6 line ports, and card reader/punch. NOTE.—This equipment is now in the process of being deactivated and submitted to GSA excess equipment inventory.

(b) 1—Scan-Data 2250/3 Optical Character Recognition (OCR), Mixed Media Data Entry System. NOTE.—This equipment is now in the process of being deactivated and submitted to GSA excess equipment inventory.

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(c) 2—Harris Remote Job Entry Terminals, utilizing dial-up telephone lines and modems, with card reader and printer on each unit; these units are utilized with Item (3)(a) below.

(d) 4—MITRON Tape-to-Tape Data Transmission Terminals.

(e) 14—RAMTEK CRT Display Terminals (Leased items), slow-speed, dial-up terminals, utilized with Item (3)(a), below.

(f) Tape library with 5,000 magnetic tapes, and tape library maintenance devices, including 1 Burroughs TD-700 terminal magnetic tape degausser, and tape certifier/cleaner.

(2) Equipment owned and operated by Selective Service at its National Headquarters, Washington, D.C:

(a) 1—Burroughs Remote Job Entry Terminal with printer and CRT terminal attached, utilized with Item (1)(a), above.

(b) 2—Texas Instruments Terminals (TI-733), utilizing slow speed, dial-up telephone lines; used mostly with Item (1)(a), above.

(3) Equipment owned and operated by the Department of the Interior, Washington Data Center, shared by Selective Service:

(a) 1—ITEL AS/5, IBM-Compatible, large-scale computer with 4 million characters of internal storage, 1.3 billion characters of on-line disk storage and assorted peripheral devices including, tape units, printer, communications controller with 12 communications line ports.

(b) 3,000 magnetic tape library.

(4) Equipment to be used at the Joint Computer Center at Great Lakes, Illinois, which will be shared by the Selective Service System. This equipment is in process of being installed:

(a) 1—IBM 370/65-II large scale computer with 6 million characters of internal storage, 5.08 billion characters of on-line disk storage and assorted peripherals including communications processor with 37 medium speed line-sets and 1 high-speed wideband line, tape units, line printers, and card reader/punch.

(b) Tape library with 5,200 magnetic tapes.

(5) Equipment owned and operated by Science Management Corporation, New Carrollton, Maryland under data management contract with Selective Service. Projected termination of this contract is September 30, 1981, at which time Selective Service will undertake full operational control of its own equivalent of the following equipments to be located at Great Lakes, Illinois:

(a) 3—Data-100 Data Entry Minicomputer controllers with 1 communications controller

(b) 40—CRT type, key-to-disk key entry stations.

(c) 1—Line Printer.

(d) 1—Dial-up telephone line and modem for transmission to Item (3)(a), above.

(6) Equipment owned and operated by Selective Service at Selective Service Regional Headquarters, Great Lakes, Illinois:

(a) 1—MITRON tape-to-tape data transmission terminal.

(b) 1—Dial-up telephone line and modem.

(7) Equipment owned by Selective Service, operated by the U.S. Army Recruiting Command for MEPCOM-Selective Service Data Transmissions; location—Fort Sheridan, Illinois:

(a) 1—MITRON tape-to-tape data transmission terminal.

(b) 1—dial-up telephone line and modem.

STREAMLINING OF COMPUTER OPERATIONS

Mr. BOLAND. Also on page six you are requesting $210,000 to streamline your computer operations in 1982.

Why do you need to convert your tape files to disk files?

Dr. ROSTKER. The basic construction of the data system will be much more efficient, in terms of computer operating time, with a differing configuration.

Mr. BOLAND. Will there be any savings in dollars or personnel?

Dr. ROSTKER. Mr. David Cox is our Associate Director for Management Information Systems, and I'd like to defer to him on this question.

Mr. COX. There are savings in direct services, particularly as we try to process changes in the file.

Mr. BOLAND. How much?

Mr. COX. I do not have an exact figure with me. I can provide it for you.

[The information follows:]

SAVINGS FOR DISK

There is a net annual savings of $30,000, after the disks, terminals and software are paid for, from using disk files and on-line retrievals as opposed to using tape files and microfiche for retrieving information. In addition, there are other direct benefits which can not be quantified as easily but which are very important.

1. Information retrieved from the on-line file will always be current whereas microfiche will always be out of date.
2. Special inquries can be processed immediately rather than 24 to 48 hours later.
3. Disk processing will improve the operating efficiency of the entire system—registration, induction and appeals and will permit all three systems to run concurrently during mobilization.

ALTERNATIVE SERVICE PROGRAM

Mr. BOLAND. The Alternative Service Program is mentioned on page nine of the justification.

How many potential jobs will be in the job bank?

Dr. ROSTKER. At this point, we cannot tell. What we have done to date, with a small staff of about four people and some contract support, is develop an operating concept. We have published it in the Federal Register in a concept paper format. We are taking comments from the general public, and we will revise the concept accordingly. This will include an inventory of jobs. We do not, at this time, have a goal or specific procedure for the program. This program is to be designed in the current year and the funding for the operation is included in the 1982 budget.

Mr. BOLAND. What types of jobs are involved in this program?

Dr. ROSTKER. They must be in the public interest. The Director is to secure those jobs and place young men in those positions. We will endeavor to work with church organizations and public service organizations. The one absolute prohibition is that jobs cannot be for private gain.

TRAVEL EXPEDITURES

Mr. BOLAND. On page 14, the 1980 actual cost for "travel and transportation of persons" object class is $313,000. The original travel estimate for 1980 was $253,000. The 1980 supplemental request contained an additional $24,000 for travel. Therefore the total travel request for 1980 is $277,000.

Is that correct?

Dr. ROSTKER. That is correct.

Mr. BOLAND. Of course, both the fiscal year 1980 regular and supplemental appropriations were below the requests. Notwithstanding, the $313,000 spent in 1980 for travel is $36,000 above the $277,000 travel request. Is that true?

Dr. ROSTKER. Yes.

There are two reasons, and both relate to the reserve program. We undertook a reserve program that was much more ambitious concerning travel. Prior training involved our officers performing a pen and pencil exercise. Last year we had our officers go out into the field and practice their mobilization assignments. Moreover, because of interdepartmental problems, the Selective Service

System had to pay for a good deal more of the reservists' traveling than in previous years.

Mr. BOLAND. Whatever the reason is, that is a violation of Section 401 of the 1980 HUD Appropriation Act. Travel expenditures should not exceed the amount set forth in the budget estimates. Were you aware of it?

Mr. BRODSKY. We were aware of it. The problem occured because we did not anticipate spending the money for direct travel expenses. We anticipated reimbursing the military services for training costs. We really did not anticipate this would be a direct travel expense.

Mr. BOLAND. You should have asked for additional funds or proposed to reprogram from other object classes. We do not write restrictions into the Appropriation Act because we like to—we expect the agencies under the purview of this Committee to be guided by the law. Section 401 is embedded in the law. It won't happen again, will it?

Dr. ROSTKER. No.

Mr. BOLAND. Well, we won't be as congenial the next time.

PERMANENT POSITIONS

On page 16, the Detail of Permanent Positions shows six positions in 1980, 1981, and 1982, above the GS/GM-15 level. Last year, the Detail of Permanent Positions showed five positions in 1981 and 1981, above the GS/GM-15 level.

Last year, the total number of positions for Selective Service in 1981 was 282. The current 1981 estimate is 231, a decrease of 51. Why do you need six positions above the GS/GM-15 level?

Dr. ROSTKER. When we got into the program, we found the requirements for data processing were so large that we changed the organizational structure and created a directorate, SES level, for data processing. We went to OPM and OMB. They authorized the one additional SES position.

Mr. BOLAND. Last year's Detail of Permanent Positions showed seven GS/GM-15 positions in both 1980 and 1981. This year's schedule on page 16 shows nine GS/GM positions in 1980 and 11 in 1981.

What accounts for this increase in GS/GM-15 positions?

Dr. ROSTKER. I can provide the specifics of those positions, they are mainly in the data processing area. We, in a sense, created a whole new structure with the concurrence of OPM. We felt the duties growing from a standby system to an active system met the classification standards. The right job levels were commensurate with this. In fact, to do anything less would have put us in violation of the civil service regulations.

Mrs. BOGGS. How many women are among the six above the GS/GM-15 level and among the nine at the GS/GM-15 level.

Dr. ROSTKER. We have one woman in a GS-15 position, and no women in supergrade positions.

Mrs. BOGGS. Thank you.

Mr. BOLAND. The Selective Service is requesting $21,174,000 to support 247 permanent positions in 1982. This is a decrease in dollars and an increase in permanent positions from 1981.

Will the Selective Service System require additional funds or personnel in future years, or will the resources requirement remain relatively constant?

Dr. ROSTKER. The major increases over the last two years have to do with a workload requirement to process the registration material. As we provided in the budget supplement, that workload will continue to grow for another year or so. It will then balance out. We constantly adjust the actual workload of the people required as we find we have better experience with production data. But we are talking about things like keypunch rates, classic manpower requirements, and calculations in support of a production process which is our data processing center.

Mr. BOLAND. Provide for the record a breakdown of the 1980, 1981, and 1982 estimate—both funds and positions—for the following activities: computer operations; regional headquarters; national headquarters; and reserve program.

Dr. ROSTKER. Yes, sir.

[The information follows:]

COST ESTIMATE OF SELECTED ACTIVITIES

	Fiscal year 1980		Fiscal year 1981		Fiscal year 1982	
	Positions	Amount	Positions	Amount	Positions	Amount
Computer operations	11	$5,823,000	113	$7,842,000	129	$6,371,000
Regional headquarters	16	1,392,000	31	4,788,000	31	3,594,000
National headquarters	74	9,760,000	87	8,077,000	87	7,262,000
Reserve program		3,454,000		3,947,000		3,947,000
Total	101	20,429,000	231	24,654,000	247	21,174,000

IMPACT OF HIRING FREEZE

Mr. BOLAND. The Carter budget contained a 1981 supplemental appropriation request of $940,000 for increased pay costs. The Reagan amendments deleted that request.

How has the January 20 hiring freeze affected the Selective Service System?

Dr. ROSTKER. We lost 12 permanent positions as a result of that hiring freeze. We were granted a new ceiling. The current budget has 12 less positions and our funding was reduced accordingly. The total reduction was due to various budget limitations amounting to $2.88 million. We applied the $940,000 pay supplemental against that, leaving a net of $1.9 million to be rescinded.

Mr. BOLAND. How many permanent positions are filled currently?

Dr. ROSTKER. About 108. Most of the difference for this year involves the data center in Chicago. However, it is not scheduled to come on line until July or August or September timeframe.

OBLIGATION OF 1981 APPROPRIATION TO DATE

Mr. BOLAND. How much of your 1981 appropriation has been obligated to date?

You may supply that for the record.

[The information follows:]

Fiscal year 1981 obligations through February 28, 1981 were $8,921,927.

Dr. ROSTKER. Mr. Chairman, we will probably have to ask for a waiver on restrictions of fourth-quarter spending since the reserve program will take place in the fourth quarter. In addition, the computer center will come on line at that time. So, you can expect to see more activity in the fourth quarter of the year.

Mr. BOLAND. I am sure you are aware of Section 409 of the 1981 HUD-Independent Agencies Act, which states that personnel compensation and benefit funds may only be used for that purpose.

Will Section 409 affect your 1981 operating plans?

Mr. BRODSKY. No, it will not.

Mr. BOLAND. For the record, track your 1981 personnel compensation and benefits request from the original estimate to the current estimate.

[The information follows:]

PERSONNEL COMPENSATION AND BENEFITS

The amount requested for personnel compensation and benefits for fiscal year 1981 was $9,961,000. The current estimate for personnel compensation and benefits is $10,551,000. The additional amount reflects a net increase after many adjustments subsequent to submission of the budget estimate, i.e, reduction for not registering females, costs of the fiscal year 1981 general government pay raise, effects of the hiring freeze, the proposed fiscal year 1981 rescission, reduced personnel ceiling, revised estimates of the cost of recruiting and training local and appeal board members and staffing the Chicago Data Management Center. These adjustments occurred over the course of almost a year's time as the program was refined and implemented. We anticipate no difficulty in remaining within the overall limitations of section 409.

Mr. BOLAND. Mr. Green.

Mr. GREEN. I was not a supporter of this registration, but I want to compliment Mr. Rostker for the job he has done.

Mr. BOLAND. Mrs. Boggs.

IMPACT OF REGISTRATION ON RECRUITMENT RATES

Mrs. BOGGS. Last year we talked about recruitment for active duty military service. There seemed to be an upsurge in activity last year. Has this trend continued?

Dr. ROSTKER. I don't know. There is a report due to Congress from the Department of Defense on April 2. They will comment on that. I would like to defer to that report.

ALTERNATIVE SERVICE PERFORMANCE

Mrs. BOGGS. In your plans for placement of conscientious objectors in alternative service, can you describe the mechanism for assuring the performance and assignment of alternative service used in the past?

Dr. ROSTKER. What we have done is try to step back, rebuild the system based on our capability, using the experience of the past. We will monitor the program to insure that an individual who has an obligation to perform alternative service will carry forth that obligation.

Mrs. BOGGS. Do you plan to maintain a roster to match people with jobs?

Dr. ROSTKER. Yes, we will.

Mrs. BOGGS. That is an ambitious undertaking.

Dr. ROSTKER. The courts have held that we have to be as equally prepared to start the alternative service program as we are the induction program. We will keep a roster of available jobs which would help get us over the initial stages of mobilization.

Mrs. BOGGS. You budgeted $750,000 to set up the computer network for this purpose. What do you think such a system would cost in operation?

Dr. ROSTKER. I would not hazard a guess. It depends on the number of people who claim and are granted conscientious objector status. It would also depend on a major issue which we have not brought to the attention of the Congress. That issue is whether the conscientious objector alternative service jobs would be paid by the Federal government.

The law today does not provide for a method of compensation. The cost of the program is simply the cost of managing the system. There is a great deal of sentiment, and some within my own agency, to move toward a Federal system of compensation that would have a major impact on the availability of jobs. It would, however, have a major financial impact as well. We are not at this point ready to bring a recommendation on this matter to the Congress.

DATA PROCESSING SYSTEMS

Mrs. BOGGS. You do seem to be securing some new equipment for data processing, and I assume you have other procurement opportunities as well?

Dr. ROSTKER. We have been able to substantially hold down employment in the agency and, equally important, we have been able to meet production standards during running of the registration because we had an ability to get ADP equipment.

For example, we were able to send out almost four million confirmation letters within approximately 45 days. We did that because we had good ADP equipment. We will have the capability to maintain those standards.

Mrs. BOGGS. What success have you had in observing Executive Order 12138 with regard to Women's Business Enterprise?

Dr. ROSTKER. We support the various procurement programs—small business, minority, and the like. I think we have a particularly good record in the small business area.

Mrs. BOGGS. And Women's Business Enterprise, which was a separate executive order?

Dr. ROSTKER. I do not know specifically, but I will provide it.

[The information follows:]

SMALL BUSINESS CONTRACT AWARD

The goal of the Selective Service System for procurement awards to small and small disadvantaged businesses during fiscal year 1980 was as shown below:

1. The estimate of total dollar amount of all prime contracts having a value of $10,000 or more to be awarded by the close of the fiscal year was $3,630,389.

2. The goal for prime contract awards valued at $10,000 or more to be made to small business concerns and small business disadvantaged firms during fiscal 1980, expressed as a percentage of the estimated total dollar amount of prime contracts to be awarded by the close of the fiscal year was 32 percent, or $1,161,724. The Selective Service System's actual performance for fiscal year 1980 was 41 percent, or $1,488,459.

The goals for procurement awards to small and small disadvantaged businesses during fiscal year 1981 is as shown below:

1. The estimate of total dollar amount of all prime contracts having a value of $10,000 or more to be awarded by the close of the fiscal year is $8,000,000.

2. The goal for prime contract awards valued at $10,000 or more to be made to small business concerns and small business disadvantaged firms during the current fiscal year (fiscal year 1981) expressed as a percentage of the estimated total dollar amount of prime contracts to be awarded by the close of the fiscal year is 13 percent, or $1,040,000.

3. As of the 2nd Quarter, the Selective Service System has awarded a total of $551,150 to small business concerns owned by women. The goal for prime contract awards valued at $10,000 or more to be made to small business concerns, small business disadvantaged firms, and women-owned firms was increased for the 3rd and 4th Quarters of fiscal year 1981 so that the total during the fiscal year (fiscal year 1981) expressed as a percentage of the estimated total dollar amount of prime contracts to be awarded by the close of the fiscal year is now 23 percent, or $1,840,000. In addition, the clauses for utilization of women-owned business concerns, as outlined in OMB Policy Letter 80-4, are being incorporated in prime contracts in excess of $10,000.

Mr. Cox. One of our largest contractors is a woman-owned enterprise. They are doing a lot of our systems work for us right now.

Mrs. Boggs. Could we have for the record the amount they are doing?

Mr. Cox. Yes.

Dr. Rostker. Do you have a ballpark figure for Mrs. Boggs?

Mr. Cox. About $400,000 worth of very good work.

[The information follows:]

Selective Service System currently has contracts worth $430,000 with women's business enterprises.

Mr. Boland. Mr. Sabo.

Mr. Sabo. I have a series of questions I would like to submit for the record.

[The questions and answers follow:]

Latest Wartime Manpower Requirements

Question. Last year the Department of Defense states that its mobilization requirements demanded that the Selective Service System deliver its first inductees by M+30 days, its first 100,000 inductees by M+60 days, and its first 650,000 inductees by M+180 days. Has the Department of Defense changed these requirements?

Answer. In November 1980, the Department of Defense provided Selective Service a revised schedule for inductees upon mobilization. That schedule calls for the first inductee on M+13 days and the first 100,000 inductees by M+30 days. It represents the capability of Selective Service to deliver inductees after M-Day with peacetime draft registration.

Latest SSS Capabilities

Question. Last Year the Selective Service System testified that the premobilization registration system, the system we now have, would produce its first inductees by M+10 days, its first 100,000 inductees by M+26 days, and its first 650,000 inductees by M+117 days. Have these estimates changed?

Answer. The delivery schedule referred to assumed that induction orders would be issued on M-Day directing registrants to report for examination and induction ten days later, M+10. Selective Service has revised those estimates to reflect the events summarized in the schedule below which shows the first inductee reporting to the training base on M+13.

Time	Events
M	The President asks the Congress for the authority to induct. Selective Service National Guard and Reserve Officers activated. The Selective Service conducts a lottery and establishes the "order-of-call" based on Random Sequence Number (RSN).

Time	Events
M+1	The Congress authorizes the President to induct personnel into the Armed Forces.
	The Director of Selective Service pursuant to regulations issued under delegation by the President under Section 5(d) of the Military Selective Service Act (MSSA) issues orders for induction in the proper RSN "order-of-call".
	Selective Service area offices are opened under an established agreement with the Department of Defense to make available selected recruiting command facilites and personnel.
M+2 to M+12	Registrants receive orders for induction and can: Report to an AFEES for processing or request a postponement, exemption or deferment by filing a claim with an area office of the Selective Service.
	If a registrant reports to an AFEES, he will receive a physical and mental examination, and if found acceptable will be inducted.
M+13	The first inductees will report to their assigned military training bases.
M+30	Based on the DoD requested delivery schedule, the Selective Service and MEPCOM will have processed 100,000 inductees.

Revised SSS Capabilites

Question. Last year the Selective Service System testified that a post-mobilization registration system, the system described in the Selective Service System report entitled "Improving Capability to Mobilize Military Manpower", would deliver its first inductees by M+17 days, its first 100,000 inductees by M+33 days, and its first 650,000 inductees by M+124 days. Has the Selective Service System has occasion to revise those estimates?

Answer. Since the resumption of peacetime registration Selective Service has not planned actively for a post-mobilization registration. If registration were terminated, Selective Service would develop a revised version of the contingency plan you referred to. Upon implementation of such a plan, Selective Service should be able to deliver inductees within about four weeks; roughly two weeks to distribute materials, publicize plans, train personnel, and conduct registration, and two weeks to collect the data, enter it on computer tapes, conduct a lottery, assign Random Sequence Numbers, and issue orders for induction. That estimate does not include unforeseen delays.

Volunteer Recruits

Question. During the Vietnam War volunteers provided the armed forces with 20,000 recruits a month. Today's peacetime volunteer armed forces recruits over 30,000 volunteers a month. In the first month after the United States entered World War II, 111,000 men volunteered for service.

Last year, the Assistant Secretary of Defense for Manpower testified that the Department of Defense and the Selective Service System were assuming that no one, not a single person, would volunteer for the Armed Forces in the event of a major war and mobilization. I thought that was one of the most foolish assumptions I had ever heard. Do you also assume that no one will volunteer? If you do think that some citizens will volunteer, what is your assumption about how many volunteers will be available for induction by M+30 days and M+60 days?

Answer. The Department of Defense's new mobilization schedule for inductees provided the Selective service assumes a continual flow of volunteers. The Department expects the Air Force, Navy and Marine Corps to meet most of their manpower requirements during the early stages of mobilization with volunteers. Army plans assume a volunteer rate of about 8,000 individuals per month during this same period. The inductee rate after M+30 will be adjusted to reflect the actual and projected flow of volunteers.

Training Base

Question. Last year the Department of Defense testified that it would only have 30,000 to 50,000 training slots available for new inductees at M+30 days. Later the Department of Defense said that under pressure of a full scale mobilization it would be able to increase the number of training slots to 70,000 to 80,000 by M+30 days. have these estimates changed?

Answer. Last year the Department of Defense indicated that the Army would be able to begin training 70–80,000 individuals during the first thirty days after a decision is made to mobilize. The current mobilization capacity of the Army training

base, based upon available training cadre and emergency billeting plans, is 133,000 new trainees during the first month following mobilization:

Sources of input:	*Capacity by M+30 days*
Draftees	80,000
Volunteers	8,000
Delayed Entry Program	20,000
Reservists Awaiting Training	4,000
IRR Requiring Reclassification	21,000
Total	133,000

The Army currently is equipment-constrained in two respects in meeting this capacity. First, there exist inadequate levels of individual weapons, clothing, and equipment to accommodate these large numbers of trainees. To remedy this situation the Army's fiscal year 1982 budget request includes funds for refurbishing weapons and purchasing individual clothing and equipment that would allow the Army to have enough for a training input of 133,000 new trainees in the first month after mobilization. Second, there is a shortage of unit equipment for post-mobilization training. The Army does not now have enough equipment to provide fully for mobilization levels of training, to equip early deploying units, and to replace equipment consumed in the high intensity conflict we assume would take place in Europe. Thus, if the Army accepted 133,000 trainees and made a decision that replacement of unit equipment for front line forces was more important than providing available equipment to the training base, the quality of training would suffer unacceptably. We estimate that, if additional equipment were not made available to the training base in time of emergency, only 83,000 soldiers could begin training in the first month after mobilization if minimum training standards were to be maintained.

The fiscal year 1982 budget and the amendment to that budget submitted to Congress on March 10 by President Reagan will begin to alleviate these Army equipment problems.

Training Base Capability

Question. Does the Administration budget include funds to significantly increase the number of training slots by M+30 days above 70,000 to 80,000?

Answer. The Army's capability to expand mobilization training during the first month of mobilization is constrained by equipment in two respects. First, there exists inadequate levels of individual weapons, clothing and equipment. To remedy this situation, the Army's fiscal year 1982 budget request includes funds for refurbishing weapons and purchasing clothing and equipment sufficient to support 133,000 trainees during the first month of mobilization. Second, the Army now has a shortage of unit equipment needed for training. The Army does not now have enough equipment to provide fully for mobilization training, to equip early deploying units and to replace equipment destroyed in the first weeks of combat. If the training bases did not receive additional equipment, only 83,000 individuals could begin training during the first month of mobilization.

The fiscal year 1982 budget and the amendment to that budget submitted to Congress on March 10 by President Reagan will begin to alleviate these Army equipment problems.

Training Base Facilities

Question. Does the Department of Defense have equipment, training aids, and plans to staff training facilities sufficiently to absorb 100,000 individuals for initial at M+26 days? At M+33 days? At M+60 days? Does it have training facilities adequate to absorb 650,000 individuals by M+117 days? At M+124 days? At M+180 days?

Answer. The Department of Defense has equipment, plans and training aids to absorb at least 100,000 individuals for initial training by M+30 days. The Army would be able to accept 83–133,000 individuals by M+30 days, depending upon decisions regarding the allocation of unit equipment needed for training. The Air Force, Navy and Marine Corps collectively could accept at least 41,000 individuals for training by M+30. The Department of Defense currently does not have facilities and equipment adequate to absorb 650,000 individuals for training by M+180 days. However, the funds requested in the fiscal year 1982 budget and amendment will significantly improve the Department's capability to accept and train new individuals during the first six months of mobilization.

DELAYED ENLISTMENT PROGRAM (DEP)

Question. In the event of war and mobilization the Armed Forces would ask for and get many volunteers. The Armed Forces would also immediately call to duty men who had already volunteered for duty but who, under the Delayed Entry Program, had not yet reported. What is the average number of volunteers awaiting service under the Delayed Entry Program?

Answer. The Delayed Enlistment Program (DEP) is a management device that provides the Services greater flexibility to match qualified applicants against future requirements. As such a significant percentage of persons in the DEP are high school seniors who, consistent with policies regarding inductees, would not be called up prior to their completing high school. If the current size of the DEP is maintained, we estimate approximately 35,000 males in the DEP could be available for enlistment within the first 30 days of mobilization.

Question. Last year the Department of Defense testified that in the event of mobilization some reserve units were ready to move directly into wartime duties. These immediately available units included the air units of the Naval Reserve, Army National Guard units and Army Reserve units available for the fifty thousand call-up, elements of the 4th Marine Division and all of the 4th Marine Air Wing, and almost all Air National Guard and Air Force reserve units. The DOD statement went on to say that the remainder of the Selected Reserve (large number of units and men) "would profit from several weeks additional training. Some limiting factors that may impact on the length of training will be the availability of training facilities such as training areas and ranges. The personnel in the Individual Ready Reserve (IRR) will require more time to become proficient as they generally do not have the opportunity to train in peacetime."

Will these tens of thousands of personnel in the Selected Reserve and the IRR be competing with new volunteers and inductees for the use of the training facilities and equipment that are projected to provide the 70,000 to 80,000 training slots by M+30?

Answer. Personnel in the IRR have completed basic training and will not be competing with volunteers or inductees for use of basic training facilities or equipment. Those personnel recently enlisted in Selected Reserve units who have not entered initial active duty training will be competing with volunteers and inductees for use of basic training facilities and equipment. It is estimated that the backlog of individuals in Selected Reserve units who are awaiting initial training will average approximately 24,000.

TRAINING BASE CAPACITY

Question. These training slots, the 70,000 to 80,000 slots, would not be exclusively for draftees, but for draftees, volunteers, and for recalled reservists. In World War II in the first month after Pearl Harbor, the Armed Forces took in 140,000 men into its training camps. Of these, only 29,000 were draftees. The rest, some 111,000 men, were volunteers.

If a major war crisis were to break out today and mobilization was to begin, and if we assume that volunteers just continued at the current peacetime rate of 30,000 a month, that would absorb 30,000 of the 70,000 to 80,000 training slots. This leaves 40,000 to 50,000 available for draftees. Of course, if we assume, and I would do so, that a major war crisis would increase the number of volunteers, then the number of slots available for draftees would be further reduced. A doubling of volunteers, a conservative estimate in my view, would fill all but 10,000 to 20,000 training slots. A tripling of volunteers, of course, would absorb all the training slots. And this calculation does not take into account the number of training slots that would be diverted from draftees to retraining of individual reservists recalled to duty.

In view of the limited number of training slots and the availability of volunteers, it would appear that the current pre-mobilization registration system, that will produce 100,000 inductees at M+26 days, will produce many more inductees than can be actually taken into camps for training. Is that correct?

Answer. The current registration system will be able to provide inductees at a rate in excess of DOD requirements at any time after M+13 days. The Department of Defense has asked the Selective Service System to be prepared to provide 100,000 acceptable inductees by M+30 days. That schedule is based on planning estimates of training base capacity, estimated volunteer rates, requirements to train individuals in the delayed entry program, requirements to train reservists and requirements to retrain selected members of the Individual Ready Reserve. The estimate for inductees includes 80,000 inductees for the Army and 20,000 for the other Services. The Air Force, Navy and Marine Corps expect to fill most of their mobilization requirements with volunteers. Army plans include about 8,000 volunteers per month during the early stages of mobilization. The Department of Defense does not

believe that it would be prudent to develop critical mobilization plans that would depend upon a much larger number of volunteers. The Department has plans to adjust draft calls if the volunteer rate is higher than planned. In addition, a functioning peacetime registration system is necessary if any individuals are to be inducted by M+30 days.

PERCENTAGE OF NON-REGISTRANTS

Question. Last summer you registered 19 and 20 year olds. What is your estimate of the percentage and the actual number of 19 and 20 year old males who failed to register as required by law?

Answer. For people born in 1960, the percentage of non-registrants is 4.6 percent or approximately 88,000 people.

For people born in 1961, the percentage of non-registrants is 5.5 percent or approximately 107,000 people.

Question. This January you registered 18 year old males. What is your estimate of the percentage and the actual number of 18 year olds who failed to register as required by law.

Answer. For people born in 1962, the percentage of non-registrants is 13 percent or approximately 262,000 people. Our experience has been, however, that this number will increase over the next few months as late registrations come in. For example, one month after the formal registration period, the compliance rate for last summer's registration of men born in 1960 and 1961 was 93 percent, six months later that figure had reached 95 percent. For registrations in 1973 (the last year for which Selective Service has similar data) the comparable rate was 83 percent; eventual compliance for 1973 was 99 percent.

NON-COMPLIANCE ESTIMATE

Question. It appears that the percentage of non-compliance has increased from your first registration last summer to the second in January. When you return to this subcommittee next year, and I ask about compliance once more, do you expect to say that non-compliance is lower or higher?

Answer. I'd like to point out that compliance rates today are much higher than most people would have predicted a year ago; and they are quite a bit higher than compliance rates of the past. But I simply cannot foretell the future.

PROSECUTIONS

Question. How many of those 19 and 20 year olds who failed to register last summer have been prosecuted?

Answer. As of this time no 19 and 20 year olds who failed to register last summer have been prosecuted.

Question. When, if ever, do you anticipate that anyone will be prosecuted for non-compliance?

Answer. The decision as to who shall be prosecuted for non-compliance rests entirely with the Department of Justice and not with Selective Service. However, Selective Service is now in the final stages of preparation of a system of records relating to the compliance effort. Once the Privacy Act requirements for the establishment of this system of records have been completed, Selective Service will begin forwarding cases to the Department of Justice for investigation and possible prosecution. We would expect that the first cases would be forwarded over to the Department of Justice within the next 45 days.

IMPACT OF FAILURE TO PROSECUTE

Question. Do you think that the failure to prosecute might have some connection with the fact that non-compliance increased between your first and second registration?

Answer. It may have had some affect, but I think the prinicpal reason for the decline was the reduced news coverage of the program . . . the headline-provoking controversy had died out, and there was no compeling news interest beyound a straight forward presentation of the facts. On the other hand, I would point out that the public service coverage—on radio and televison—was much higher than last summer. But overall, I think many who failed to register simply had not come to focus on the legal requirement to do so.

OBSOLETE ADDRESS

Question. Males of ages 18, 19, and 20 years old are a very mobile segment of our population. Last year the Selective Service System stated that 25 percent of its addresses taken at initial registration would be obsolete after one year, 50 percent after two years. Could you tell me about what tests you have conducted or will conduct to see how reapidly your addresses become useless?

Dr. ROSTKER. The registration file is very perishable and it must be maintained with a high degree of accuracy.

We will maintain the file in two ways. First, we will post name and address changes as they are received from registrants. We expect to receive 200,000 to 300,000 changes per year from this activity.

Second, for fiscal year 1982, we are requesting $953,000 in order to implement a file validation program which insures that we have the most current address for registrants in the prime YOB or those who are about to be placed in the prime YOB group.

When a person originally registers he is sent an acknowledgement letter which verifies all of the data currently on his file. Each year after that, if he has had no activity in his records, he will receive a letter which provides him with the data in his file and asks him to make corrections, if necessary; and, to return the information to SSS if corrections are made.

The registrant will continue to receive an annual mailing until his Year of Birth group is no longer a prime year group. Once his YOB groups is no longer prime, he will receive verification letters every other year.

If the verification letter is forwarded to another address, the USPS will forward the mail and notify us of the new address. We will imput both the USPS information and the registant response to the verification letter into the computer, with the most recent transactions taking the precedence.

We expect to receive 1.5 million changes next year from this activity.

STATUS CHANGE OF ADDRESS

Question. How many of your 19 and 20 year olds registered last summer have sent you change of address forms?

Answer. Approximately 385,000.

OBSOLETE ADDRESSES IN THE EVENT OF MOBILIZATION

Question. In the event of mobilization, what plans do you have to deal with the problems of obsolete addresses?

Answer. We feel that our verification letter program which was previously described will solve much of this problem. However, in the event the address is invalid, we would mail a second induction notice to the registants permanent address, which in many cases is his parents address.

LATEST SSS CAPABILITIES

Question. If the Congress and the President were to decide that a post-mobilization registration system would be implemented in place of the current system what deletions and additions would you make in the Selective Service System budget? (By post-mobilization registration system, I mean the system described as Option "1" in the Selective Service System's draft document of January 16, 1980 entitled "Improving Capability To Mobilize Military Manpower".)

Answer. A post-mobilization registration could reduce the Selective Service budget by about $3.9 million. Most of the savings would be in reduced USPS costs and reduced data management personnel and operating costs. Offsetting this reduction would be a one-time cost of roughly $600 thousand for printing and pre-positioning forms and training materials.

Mr. SABO. I would also like to submit some questions for the record which were suggested to me by Congressman AuCoin.

[The questions and answers follow:]

PRESIDENT'S POSITION ON REGISTRATION

Question. The President was on record prior to his election as calling the registration program a "meaningless gesture" yet your budget justification shows continued funding for registration. How do you reconcile this apparent discrepancy?

Answer. At his first press conference as President, Mr. Reagan noted that his earlier statements had been based on the best information available to him at that

time, and that this was a matter he would have to review "somewhere down the road." In the meantime, the program—approved and funded by the Congress—continues.

PRESIDENT OPPOSES PEACETIME DRAFT

Question. In November, in his last statement on registration and the draft, President-elect Reagan said he was against a peacetime draft "unless there is a state of emergency." Secretary of State Alexander Haig is calling for the reinstatement of the draft. This week, a bill was introduced in the Senate that would provide funding for a peacetime draft. It appears, contrary to the President's statements, that the administration is moving closer and closer to the implementation of a peactime draft. Have you had any assurances to the contrary?

Answer. The President is clearly on record as being opposed to a peacetime draft and as far as I know he continues to support that position.

IMPACT OF REGISTRATION ON EL SALVADOR

Question. The creation of the registration inventory lowers the threshold that the Congress and President would have to cross to resume conscription in conflicts of dubious merit. What assurance, if any, have you had that the inventory would not be used to intervene in conflicts such as the one in El Salvador?

Answer. This is not directly a Selective Service matter; the question would be more usefully directed to the Department of Defense and the State Department.

SSS FISCAL YEAR 1982 BUDGET

Question. President Carter recommended a $22.8 million budget for the Selective Service in 1982. The revised Reagan budget recommends a $21.2 million budget, a very slight cut in comparison with many other programs. At what is the $1.6 million cut aimed?

Answer. The $1.6 million cut is the result of cancelling procurement of telecommunications equipment ($1.1 million) and lowering the agency's ceiling of permanent positions ($.5 million).

REASSURING THE AMERICAN PUBLIC ABOUT RECRUIT QUALITY

Question. Over the last several years, much criticism has been directed at the low level of quality in the all-volunteer forces. Because registration does not address this issue, how do you propose to keep the public from being lulled into a sense of false security about the capabilities of our armed forces?

Answer. The Department of Defense (DoD) uses four basic types of screens in determining the enlistment eligibility of military applicants—educational, aptitude, physical, and moral. They are designed to ensure that new recruits can become successful servicemembers. Two of those screens, education and aptitude, are identified primarily as the so-called "quality indexes." When DoD intoduced its new enlistment test in October 1980, each of the Services raised its aptitude standards and is now screening our many applicants who would have been eligible to enlist in fiscal year 1980. The result of these increased standards is higher quality accessions this year. There has also been increased emphasis on the recruitment of high school graduates.

So that the American people can be fully informed about the quality of new recruits, DoD puts out quarterly press releases on recruiting results. The press release for the first quarter of fiscal year 1981 showed a substantial improvement over the same period last year in the enlistment of high school graduates and individuals who scored average and above average on the enlistment test. In addition, DoD submits periodic reports on recruit quality to the House and Senate Committees on Armed Services. Those reports receive careful Congressional review. The information in both the press releases and Congressional reports is accurate and realistically portrays the current educational and aptitude status of new enlistees.

REGISTRATION OF WOMEN

Mr. SABO. In terms of the court decision, if the court should rule the current system is unconstitutional because it is male only, an Act of Congress would then be required to change registration, would it not?

Dr. ROSTKER. I would think so. There is a small possibility the court could direct us to register on the basis of an oversight in the

law. They have done it in a few cases involving the women issue. However, I would not expect them to do it in this case given the fact that both Houses of the Congress have spoken forcefully in the issue.

RATE OF ADDRESS CHANGES

Mr. SABO. How many changes of address have you received?

Dr. ROSTKER. There have been 300,000. Most have come back through the letter of confirmation. It is a two-part letter containing change-of-address information. We will construct a verification program on a yearly basis for people in the prime age group. This will cover a period from the time they register until they have passed through the prime years of draft eligiblity. We have delivered all but 50,000 letters out of almost four million confirmation letters that were sent out.

ACCESS TO SOCIAL SECURITY DATA

Mr. SABO. If you were to have access to social security data for verification that somebody registered, why do you need registration in the first place?

Dr. ROSTKER. The question becomes not only one of the total size of the file, but a question as to where the person is located. As we explored last year, the IRS address data which is available under several programs is accurate for a very short period of time. We believe this approach would certainly create many problems if the war broke out not on April 15, or June first, when the address data was most accurate, but later in the year.

Moreover, looking at the legal requirement, what would we have to prove to determine that a person had not registered? What would that legal requirement be? Today if we were to build a system strictly around passive registration using Social Security data and IRS data we would have to first prove that a person never registered with Social Security. Then we would have to prove he filed an income tax form last year. Next we would have to prove that person had not moved between the time he filed the form and the start of the induction process or when his number came up in the induction process.

I will submit, as I did last year, that these are not the requirements that a free nation wants to impose upon its citizenry. This system has been in existence since 1948, a system of compulsory registration and a compulsory requirement to keep addresses current, that is by far a more just and equitable system.

PROSECUTIONS FOR FAILURE TO REGISTER

Mr. SABO. Has anyone been prosecuted for failure to register?

Dr. ROSTKER. Not to date. We have published in the Federal Register the specifications of a system of records of suspended violators. We have received several hundred accusations and complaints. We are in the process of comparing these names against the master file of registrants. If the person is not on the master file, there is a presumption of violation and his name will be submitted to the Justice Department.

Mrs. BOGGS. Mr. Chairman, I have a couple of questions for the record.

Mr. BOLAND. Fine.

[The questions and answers follows:]

MSSA AMENDMENT

Question. Are you seeking any changes in the Military Selective Service Act with respect to enhancing due process protections or changing the kinds of permissible deferments or exemptions?

Answer. Selective Service at this time is seeking no changes in the Military Selective Service Act. We do feel however, that past experience proves that due process is best protected and fairness and equity is best insured if the number of possible deferments and exemptions is kept to an absolute minimum. Decisions on those deferments and exemptions that are desirable or necessary are decisions for Congress.

SELECTIVE SERVICE REGULATIONS

Question. I understand that the Selective Service System is in the process of finalizing its regulations for the processing of registrants in the event of a draft.

What deferral and exemption possibilities will be included according to the law as it now stands?

What about your criteria for evaluating those who assert that they are conscientiously opposed to all war? What kinds of provisions will you be making for evaluating the claims of those who base their assertions on personal moral or ethical grounds rather than specifically on religious grounds?

After 1970, these additional grounds could be used for an assertion of conscientious objection. How will the regulations you intend to use now differ from what was in effect after 1970, if at all?

Answer. The Selective Service regulations that are now being finalized contain only deferments and exemptions included in the Military Selective Service Act. Basically those possibilities consist of exemptions and deferments for conscientious objectors, for people in a hardship situation, for ministers and students of the ministry, and for several categories related to military status and/or aliens. The criteria for evaluating people who assert that they are conscientiously opposed to all war will be based upon the express holdings of the Supreme Court of the United States and other judicial determinations. Since the Supreme Court held that a conscientious objector may base his beliefs on personal, moral and ethical grounds rather as well as on religious grounds, our regulations specifically provide for consideration of those kinds of claims. In fact, while the regulations do require an inquiry into the basis for a claim of conscientious objection, that inquiry is for the basis of determining sincerity. There is no distinction made between the claim for conscientious objection based upon religious grounds or personal, moral or ethical grounds.

Many parts of the regulations being drafted now differ significantly from regulations in effect in the early 1970's. However, the regulations with respect to the eligibility requirements for conscientious objection will not be much different from regulations previously in existence. The regulations then reflected the law that was in existence then and since that law still stands, the regulations need not change much. The procedural regulations however, have changed markedly. The structure of the local board hearing has been changed in an effort to grant additional rights to the registrant while at the same time maintaining the informal administrative atmosphere that was clearly intended to be maintained by Congress. In addition, the appellate structure has changed to make it more analogous to the federal court system. All in all, by removing some of the limitations upon a registrant's presentation of his claim, by allowing a registrant to bring an advisor with him into the hearing, and by limiting the system's appellate rights to the same rights as held by the registrant, we feel we have significantly increased the procedural due process accorded a registrant.

PREINDUCTION ORDER CLASSIFICATION

Question. I note that your current plans call for classification of individuals after they have received a notice to report for induction. During last year's hearings, there was considerable discussion about the wisdom of registering people without classifying them at the same time. If we were to enter a period when the draft had to be reinstituted and used for an extended time, would you envision establishing a system of classification which would take place in advance of issuance of notices to report for induction?

Answer. Classification is the determination at a given point in time of a person's availability for induction. Ideally, classification should take place as close as possi-

ble to a probable induction date. Since situations change over time it is necessary that, once determined, a person's classification be kept current.

Our planning to date has centered around planning for a rapid response and assured delivery capability in a mobilization with minimum cost during peacetime. At present this planning includes automatic classification upon mobilization of those selected by lottery to be inducted. Selective Service would concurrently establish local boards to adjudicate claims for reclassification. Under this plan claims would need to be settled quickly.

If inductions continued for an extended period I believe we would move toward a system of classification to be exercised in advance of the issuance of induction orders. This would give registrants additional time to prepare and document their claims for reclassification and to seek counseling and assistance. It would also permit local boards more time to consider these claims.

RESCISSION'S EFFECT ON AGENCY MOBILIZATION CONFIGURATION

Mr. BOLAND. Mr. Green.

Mr. GREEN. You are proposing a $1,940,000 rescission in your 1981 appropriation based on the change of plans regarding the terminals. When will the recruiting command have its terminals installed?

Mr. COX. The contract award has been established and will be awarded in late December of this year. Delivery will begin in the first quarter of calendar year 1982. This is how it will work if our current schedule holds fast and true.

Mr. GREEN. When was the decision made that the Army should proceed to install those terminals?

Mr. COX. The decision was made some time ago. The schedule has become more accelerated now that the Army has a demonstration model.

Mr. GREEN. What did the Selective Service System propose to do with those funds before the rescission came up?

Dr. ROSTKER. They all came up simultaneously. We were asked to suggest, if you will, an area for rescission. This is the area we selected. While working with the Army over time it became clear that the Army was moving faster to accommodate this program than it was when we put the budget together.

Mr. GREEN. If that command had not be made, what would you have done?

Dr. ROSTKER. That is a good question. I think we would not have spent the money.

Last year, due to the efficient productivity of the U.S. Postal Service and its proven ability to accomplish the registration, we returned over a million dollars to the U.S. Treasury.

Mr. BOLAND. If there are any other changes to the 1981 estimate that are proposed, please detail those for the record.

[The information follows:]

No other additions or deletions to the 1981 appropriation are proposed.

Mr. BOLAND. Thank you very much, Mr. Director. We will place your justifications in the record at this point.

The committee stands in recess until 1:00 this afternoon.

[The justifications follow:]

NATIONAL HEADQUARTERS
SELECTIVE SERVICE SYSTEM
600 E STREET, N. W
WASHINGTON, D. C. 20435

OFFICE OF THE DIRECTOR

ADDRESS REPLY TO
THE DIRECTOR OF SELECTIVE SERVICE

March 10, 1981

Chairman, Subcommittee on HUD-
Independent Agencies
United States Senate
Washington, D.C. 20510

Chairman, Subcommittee on HUD-
Independent Agencies
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairmen:

In accordance with the President's comprehensive economic program, we are proposing a rescission of 1981 budget authority and withdrawing our request for a supplemental appropriation to fund increased pay costs. We are also transmitting a budget amendment for 1982. The amounts of these actions are reflected in the table below.

	FY 1981 ($000)		
	January Budget	Change	Revised Budget
Appropriated	$27,137		$27,137
2% Reduction	-543		-543
Pay Supplemental	940	$ -940	—
Rescission		- 1,940	-1,940
	$27,534	$-2,880	$24,654
	FY 1982 ($000)		
Appropriation Request	$22,804	$-1,630	$21,174

I look forward to meeting with your distinguished Committees to explain the result of these changes on our operations and provide you with additional information on our budget request.

Sincerely,

Bernard Rostker

Bernard Rostker
Director

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

1982 Budget Amendment

SELECTIVE SERVICE SYSTEM
SALARIES AND EXPENSES

Program and Financing (in thousands of dollars)

Identification code 90-0400-0-1-054	1982 actual	1982 estimate	1982 estimate
Program by Activities:	Request Pending	Proposed Amendment	Revised Request
1. Mobilization Readiness	18,857	-1,630	17,227
2. Reserve Program	3,947	---	3,947
Total programs costs, funded 1/	22,804	-1,630	21,174
Change in selected resources (undelivered orders)	---	---	---
10.00 Total obligations	22,804	-1,630	21,174
Financing:			
Budget Authority			
40.00 Appropriation	22,804	-1,630	21,174

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

1982 Budget Amendment

SELECTIVE SERVICE SYSTEM
SALARIES AND EXPENSES

Program and Financing (in thousand of dollars)

Identification code 90-0400-0-1-054	19 82 actual	19 82 estimate	19 82 estimate
Relation of obligations to outlays:	Request Pending	Proposed Amendment	Revised Request
71.00 Obligations incurred, net.....	22,804	-1,630	21,174
72.40 Obligated balance, start of year.....	6,374	-169	6,205
74.40 Obligated balance, end of year.....	-4,818	---	-4,818
90.00 Outlays, excluding pay raise supplemental.....	24,191	-1,630	22,561
91.20 Outlays from civilian pay raise supplemental.....	26	-26	---
91.30 Outlays from military pay raise supplemental.....	143	-143	---

1/ Includes capital investment as follows:

Request pending, $1,245 thousand.
Proposed amendment, -$750 thousand.
Revised request, $495 thousand.

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

1982 Budget Amendment

SELECTIVE SERVICE SYSTEM
SALARIES AND EXPENSES

OBJECT CLASSIFICATION (in thousands of dollars)

Identification code 90-0400-0-1-054		1982 actual	1982 estimate	1982 estimate
		Request Pending	Proposed Amendment	Revised Request
	Personnel compensation:			
11.1	Full-time permanent positions	5,820	- 486	5,334
11.3	Positions other than permanent	283	---	283
11.5	Other personnel compensation	31	---	31
11.8	Special personal services payments	5,153	---	5,153
11.9	Total personnel compensation	11,287	- 486	10,801
12.1	Personnel benefits: Civilian	605	- 44	561
21.0	Travel and transportation of persons	1,255	---	1,255
22.0	Transportation of things	15	---	15
23.1	Standard level user charges	602	---	602
23.2	Communications, utilities, and other rent	2,238	---	2,238
24.0	Printing and reproduction	603	---	603
25.0	Other services	4,414	- 350	4,064
26.0	Supplies and materials	533	---	533
31.0	Equipment	1,252	- 750	502
99.0	Total obligations, costs	22,804	-1,630	21,174

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

1982 Budget Amendment

SELECTIVE SERVICE SYSTEM
SALARIES AND EXPENSES

PERSONNEL SUMMARY

Identification code 90-0400-0-1-054	1982 actual	1982 estimate	1982 estimate
	Request Pending	Proposed Amendment	Revised Request
Total number of full-time permanent positions	268	- 21	247
Total compensable workyears: Full-time equivalent employment	284	- 21	263
Full-time equivalent of overtime and and holiday hours	(1)	---	(1)
Average ES salary	$50,112	---	$50,112
Average GS grade	8.10	7.71	8.13
Average GS salary	$21,019	$20,007	$21,097
Average salary of ungraded positions	$14,830	---	$14,830

STANDARD FORM 306
July 1968, Bureau of the Budget
Circular No. A-11, Revised.
306-103

1982 Budget Amendment

SELECTIVE SERVICE SYSTEM
SALARIES AND EXPENSES

DETAIL OF PERMANENT POSITIONS

	19 82 actual	19 82 estimate	19 82 estimate
	Request Pending	Proposed Amendment	Revised Request
Executive Level IV	1	---	1
ES-6	1	---	1
ES-4	1	---	1
ES-3	1	---	1
ES-1	2	---	2
Subtotal	6	---	6
GS/GM-15	11	---	11
GS/GM-14	17	---	17
GS/GM-13	18	-2	16
GS-12	12	---	12
GS-11	28	-3	25
GS-10	2	-1	1
GS-9	20	-2	18
GS-8	1	---	1
GS-7	16	-3	13
GS-6	30	-4	26
GS-5	101	-6	95
GS-4	4	---	4
GS-3	1	---	1
Subtotal	261	-21	240
Ungraded	1	---	1
Total permanent positions	268	-21	247
Unfilled positions, end of year	-5	---	-5
Total permanent employment, end of year	263	-21	242

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

SELECTIVE SERVICE SYSTEM
SALARIES AND EXPENSES

(Rescission proposal)

Program and Financing (in thousands of dollars)

Identification code 90-0400-5-0-054	1980 actual	1981 estimate	1982 estimate
Program by activities:			
10.00 Mobilization readiness (costs - obligations)(object class 31.0).	---	-1,940	---
Financing:			
40.01 Budget authority (appropriation rescission proposal No. R 81-).	---	-1,940	---
Relation of obligations to outlays:			
71.00 Obligations incurred, net.....	---	-1,940	---
72.40 Obligated balance, start of year.....	---	---	---
74.40 Obligated balance, end of year.....	---	---	---
90.00 Outlays.....	---	-1,940	---

SELECTIVE SERVICE SYSTEM

RESCISSION PROPOSAL

FY 1981

Funds in the amount of $1,940,000 for the procurement of telecommunications terminal equipment for area offices are proposed for rescission.

The Selective Service System has an agreement with the Department of Defense to convert 434 recruiting command offices into Selective Service offices upon mobilization. The U.S. Army Recruiting Command (USAREC) is currently planning to install terminals in each of their recruiting command offices. Our agreement with USAREC will allow us to use these terminals as area office terminals upon mobilization. With the capability to use the USAREC terminals during mobilization, the rescission of procurement funds from the Selective Service System's appropriation will not have an adverse impact on our mobilization readiness.

SELECTIVE SERVICE SYSTEM

Fiscal Year 1982 Budget Justification

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NATIONAL HEADQUARTERS
SELECTIVE SERVICE SYSTEM
600 E STREET, N. W.
WASHINGTON, D. C. 20435

OFFICE OF THE DIRECTOR

ADDRESS REPLY TO
THE DIRECTOR OF SELECTIVE SERVICE

January 15, 1981

Chairman, Subcommittee on HUD-
Independent Agencies
United States Senate
Washington, D. C. 20510

Chairman, Subcommittee on HUD-
Independent Agencies
House of Representatives
Washington, D. C. 20515

Dear Mr. Chairmen:

Transmitted herewith is our FY 1982 budget submission in the amount of ~~$23.8~~ $21.2 million, a net reduction of ~~$4.7~~ $2.5 million from the previous fiscal year. The reduction is the result of deleting one-time nonrecurring costs of the revitalization and registration programs.

I look forward to meeting with your distinguished Committees to report on the results of our operations and provide you with information on our budget request.

Sincerely,

Bernard Rostker
Director

Enclosure

Program Highlights

After two years of rebuilding, Selective Service will complete its revitalization program and return to normal ongoing operations in fiscal year 1982. On January 23, 1980, the President called for the resumption of draft registration and a revitalization of the Selective Service System. These efforts began in 1980 with a catch-up registration for 2 year-of-birth groups and the start of efforts to upgrade our automated data processing (ADP) capability which included the establishment of a joint computer center shared by Selective Service and the Military Enlistment Processing Command (MEPCOM). Registration and revitalization are continuing in 1981. The final catch-up registration was held the week of January 5 for men born in 1962. Concurrently, continuous registration was started for men as they reach 18 years of age. By the end of fiscal year 1981 most of the revitalization will be completed:

- The joint computer center will be operational.
- The management and ADP systems to support the claims/adjudication process will be developed.
- The local and appeal board members will be selected and their training begun.
- An administrative law system and implementing procedures which meet current standards of due process will be developed.
- A standby Alternative Service Program will be under development.

During fiscal year 1982 Selective Service will reach its revitalized posture and begin a steady state operation. The budget requests ~~$2.1~~ $1.0 million to complete the ADP requirements of the agency's revitalization program and ~~$1.6~~ $1.5 million to manage the growing data base occasioned by the resumption of registration. Additionally, ~~$1.0~~ million is required for the annualization of positions authorized by the Congress and filled on a part-year basis in fiscal year 1981. The major components of the new standby systems are:

- A registration process that is reliable and efficient. $1.2
- An automated data processing system that can handle pre- and post-mobilization data management requirements, including a system for the promulgation and distribution of induction orders.
- A claims process that can quickly insure all registrants' rights to due process are protected.
- A field structure that can be quickly reconstituted and provide timely support for the claims process.
- An Alternative Service Program, to parallel the induction process, for registrants who are conscientiously opposed to all war.

Registration

The purpose of registration is to provide an accurate and complete list of individuals who could be called upon in time of mobilization. This list must be complete so that a wartime draft based on it would be fair. It must be on hand so that the wartime needs of Defense can be met. Those requirements call for the first inductee on M+13 days, a requirement that could not be met without registration.

The President, by Proclamation 4771 of July 2, 1980, set forth the specific periods for and requirements of registration. Men born in 1960 and 1961 registered during the two-week period of July 21-August 2, 1980. A second catch-up registration, for men born in 1962, was held during the week of January 5-10, 1981. Continuous registration also began in January 1981. Men are now required to register within 30 days of their eighteenth birthday. Individuals who, for reasons beyond their control, cannot register in the specified period must register as soon as those conditions permit. Registration plans are now well along in implementation.

Several federal agencies worked together to develop a simple, effective, and economical registration process. The U.S. Postal Service registered men at all classified post offices in the U.S., a total of about 34,500 sites. The State Department registers men overseas who are subject to the Military Selective Service Act. Special arrangements were developed to cover eligible men in isolated or unique circumstances such as Guantanamo, the Australian Outback, and Taiwan.

The registration process is simple. A registrant completes a short form and signs it in front of a postal employee or State Department representative who acknowledges the individual's identification, stamps, initials, and dates the form. A brochure is given to each registrant at the time he registers. This brochure advises him of his rights, provides answers to most common questions, and suggests he contact Selective Service if he has additional questions. This process has now become a routine part of USPS and State Department services.

Approximately 3,375,000 men registered during the summer registration period. About 300,000 other registrations were submitted during the final months of 1980. During the fall of 1980, the Director of Selective Service requested the General Accounting Office (GAO) to audit registration results. On December 19, 1980, GAO issued a report on its findings. The report stated the "draft registration is complete and accurate. . . . We were impressed by the thoroughness, completeness, and accuracy with which this program was conducted." Numerical results compare favorably with previous experience as indicated below:

Registration Results: 1973-1980

	1973	1980
On Time Registrations	77% (within 30 days of 18th birthday)	87% (during 2-week registration period)
First month late registrations	6%	7%
Additional late registrations through fourth month	7%	1%
Interim total	90%	95%
Final total	99.5%	Pending

Automated Data Processing

The modernization of the ADP system, which began in fiscal year 1980, will continue into fiscal year 1982. ADP is the backbone of the agency's capability to respond rapidly in the event of mobilization and to maintain a growing data base in peacetime. It is the only program increase requested for fiscal year 1982. Additional funds of ~~$2,100,000~~ $1,000,000 are necessary to complete the modernization program for the revitalization of the agency and ~~25~~ 16 positions and ~~$1,650,000~~ $1,532,000 are required to keep pace with the expanded data base.

Revitalization Requirements

Priority revitalization activities accomplished in fiscal year 1980 and fiscal year 1981 were the development of programs for managing the registration-to-induction process, ~~acquisition of computer terminals for area offices~~ and the establishment of a joint computer center with MEPCOM. Completion of the revitalization program will be accomplished in fiscal year 1982. Resource requirements are as follows:

- Increased MEPCOM contribution, $250,000. Fiscal year 1982 will be our first full year of operation with MEPCOM, therefore our operating costs will increase to reflect a full year of operation.

- Development of an Alternative Service ADP Program, $750,000. The Alternative Service Program will require a computer network which will have an "on-line" employee job bank for locating and reserving jobs which can be accessed by regional alternative service personnel. In addition, the system must provide up-to-date management reports for headquarters and regional personnel. During fiscal year 1982 the pilot system to be used for the Alternative Service Program will be developed. This program is described in greater detail later in the justification.

- ~~Appeal Board Terminals and Programming, $1,100,000. In addition to the area office terminals, a computer terminal network for the 96 appeal boards is required for effective operation of the claims and appeals processing systems. Computer terminals are linked to the central computer and will be used to enter and update claims and appeals information and to provide an accurate and effective management information system in support of the appeal boards. The terminals for the area offices will be installed during fiscal year 1981. Funds are requested in fiscal year 1982 to install and program terminals for the appeal boards.~~

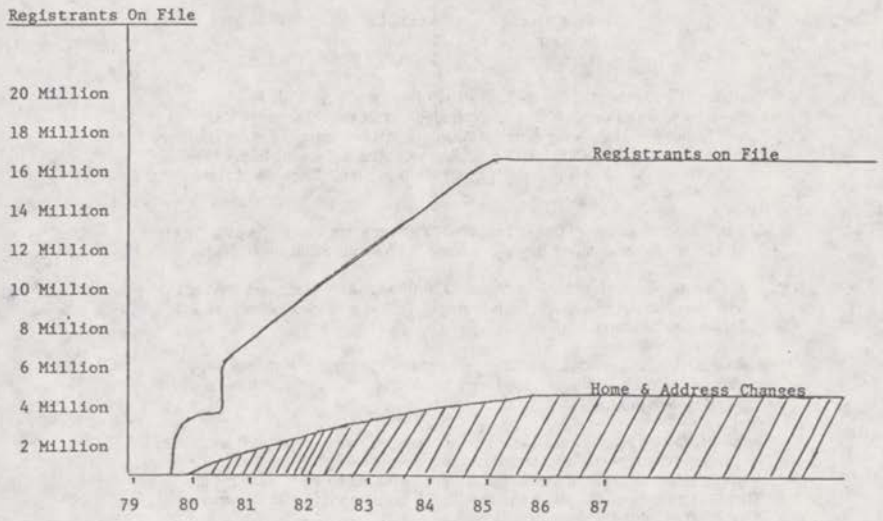
Expanding Data Base Requirements

Continuous registration creates primarily two types of ADP workload: (1) the first is the workload associated with the registration process itself. This includes editing and keypunching of all registration forms as they are submitted (approximately 2 million per year), correcting errors found in the registration process, e.g., invalid date of birth, missing address, etc., and mailing acknowledgement letters to each new registrant. Starting in February 1981, this workload will be stabilizing at about 170,000 new registrations per month. (2) The second workload is the maintenance of all the names and addresses in the registration data base. Census figures indicate that about 25% of all registrants will change their address

annually. In order to keep our files accurate and up to date, we will need to post these corrections on an ongoing basis. Since the registrant data base is continually increasing in size, the number of changes posted each year will continue to increase as shown below.

REGISTRANT DATA BASE

FISCAL YEAR	SIZE OF DATA BASE (millions of registrants)	NUMBER OF CHANGES
1980	3.5	360,000
1981	7	1,750,000
1982	9	2,250,000
1983	11	2,750,000
1984	13	3,250,000
1985	15	3,750,000
1986	16	4,250,000
1987	16	4,250,000



The expanded data base for FY82 reflects the need to: manage a large master file which is continually growing; continually verify the older data base; streamline operations in order to improve efficiency; and implement new applications.

The resource requirements for these efforts are as follows:

- File Validation Program, $953,000. The purpose of this program is to verify the names and addresses on the master file. In order to do this, we will mail out a verification letter to all registrants who have not had any activity on their file within the past year. Forwarding of mail will be requested and changes of address will be returned by the registrant.

Postage	$733,000
Supplies	$100,000
Mailing Machine	$120,000

- Streamline Computer Operation, $210,000. During FY82, we will modify our registration maintenance programs so that they can be kept on direct access (disk) rather than tape files. These changes will permit reduction of the amount of computer time required to process the files and increase the productivity of our operations personnel by allowing on-line updating of records.

Disk Storage	$120,000
Software	$ 40,000
Terminals	$ 50,000

- Additional Personnel, ~~$496,000~~ 367000. ~~Twenty-five~~ new positions are requested to keep pace with the expanded data base. During FY82 the data base will grow by approximately 2 million names from 7 million to 9 million. Of the additional 2 million registrants, about 500,000 will change the information in their registration record. These additional changes will require:

  . 5 keypunch personnel based on 500,000 change transactions at a rate of 500 transactions per day per person (220 production days/year).

  . 2 special research clerks to handle 100,000 transactions not having SSN and requiring a microfilm lookup. This is based on a rate of 240 forms per person per day.

  . 2 mailroom/document handling personnel to handle the increased volume of mail. This is based on a production rate of 1,000 pieces per day per person.

  In addition to the increased number of changes, we also expect increases in the total number of registrations as a result of aging the data. Late registrations historically add significant numbers to each year group. These increases could yield about 400,000 additional registrations in FY82. This added workload will require:

  . ~~8 keypunch personnel based on a rate of 250 transactions per day.~~

  . 2 document handling/mailroom personnel based on a rate of 1,000 pieces per day per person.

In the area of general improvement, we will need 5 additional programmer analysts ~~and 1 administrative support position~~ to handle the increasing workload. This workload consists of three areas:

- maintenance of contractor developed system (i.e., registration, file update),
- improvements to the file update process by developing an interactive update approach,
- implementation of additional programs for the induction scheduling and appeals processing modules.

Claims Process

While registration and effective data management give us the capability to respond rapidly, Selective Service cannot insure the fairness of the System without a well developed local and appeal board structure. The boards are composed of citizen volunteers representative of the ethnic and socio-economic characteristics of the area served. These boards are the heart of the Selective Service System. These are the people who make the important judgments relating to an individual's claim for deferment or exemption from the draft. The fairness of the System will be judged by the quality of the boards and by the manner in which they adjudicate claims. In order for Selective Service to earn the support of the American public, the board members must be perceived to be honest, reasonable people, and trusted to make important decisions affecting the young men from their own counties. In order to insure that the boards understand Selective Service law, policies and procedures, we are for the first time in the history of the System undertaking a comprehensive program of training for the board members.

Approximately 10,000 citizens will be recruited, selected and trained as board members, who in an emergency could reestablish our local draft boards. A pilot program in two states is planned for the winter of 1981. Implementation in the other states is scheduled to begin the second half of fiscal year 1981. Since the Governor makes the nominations for members of a local board, the recruitment and selection process is a cooperative effort between Selective Service and the various Governors. The guidelines for the selection program are:

- It must be open to public participation;
- It must have a strong affirmative action plan to assure adequate representation of minority groups;
- It must not discriminate against women;
- It must recruit individuals respected by their communities; and
- It must consistently produce capable board members who meet the statutory requirements.

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Training for the board members will be conducted by Selective Service. Training conferences will be held throughout the country to minimize commuting distance for board members. The importance of properly training board members cannot be overemphasized. Registrants have specific rights and each board member has specific responsibilities to both the registrants and the Selective Service System. Board members are required to adjudicate claims by registrants and must be able to examine, document and, in some cases, take statements. They must also make a determination of the facts, apply such facts to the law and regulations, and make their decisions based upon those same facts, law and regulations. It is expected that all of the training conferences will have been conducted by early 1982. The primary emphasis then will be towards follow-on training, and recruitment and selection of individuals to replace members lost through attrition. The follow-on or continuation training will be designed to maintain a state of readiness among board members after completion of their initial training. The overall goal of the plan is to improve and strengthen the competency of board members in the long-term perspective.

Field Structure

A key part of the new standby Selective Service is the capability to establish rapidly a field structure that augments national and regional headquarters. The purpose of this field organization is to provide support for the claims structure of local and appeal boards. Selective Service has a cadre of 715 military reserve officers to accomplish this effort, each of whom is assigned a specific mobilization assignment. Upon mobilization they would:

- Provide staff augmentation at National Headquarters and 6 Regional Headquarters
- Establish a liaison office at each of the 67 Armed Forces Examining and Entrance Stations (AFEES Liaison Office)
- Open 55 State Headquarters
- Open 96 Appeal Board Offices
- Open 434 Area Offices

There is no requirement for an extensive field organization in peacetime. However, in the event of a national emergency, and to fulfill the demanding manpower requirements of DoD, the System must make the transition shortly after M-day into an active operational structure. Therefore, we have established a Memorandum of Understanding with DoD which will allow the agency to occupy space in 434 recruiting offices and to use approximately 1,400 recruiting command personnel for about 45 days. We have pinpointed specific offices in selected locations and identified the people by name who will assist reservists.

During the 1980 annual training, Selective Service reserve officers oriented and trained the 1,400 military recruiters assigned to staff area offices upon mobilization, evaluated the suitability of the assigned offices and equipment, met with AFEES Commanders, and established face to face liaison with local representatives of GSA and OPM. This "hands-on" testing of reconstitution plans at actual mobilization sites helped establish that all elements of the System can respond in an emergency. These officers also participated actively in Exercise Proud Spirit.

During 1981 the emphasis of the training program will shift from physical reconstitution to operational procedures. If is, of course, essential that Selective Service reserve officers be knowledgeable in all areas of induction, claims and appeals processing. State Headquarters personnel must also have specialized training to perform their management audit function. Also during 1981, the reserve officers will assist in the administrative aspects of recruiting, selection, and training the 10,000 individuals needed in an emergency to man local and appeal boards.

Since the field structure is not static, the maintenance of the plans and continued training/testing of the system and personnel are an on-going requirement. Reconstitution plans must be kept current and names, addresses and the like updated. New personnel, both Selective Service reserve officers and the recruiters assigned for mobilization augmentation, must be trained. Training in operational procedures must be continually reviewed if officers are to function effectively upon mobilization. This training must be revised as procedures are changed and refined. Only with a vigorous training effort and the periodic testing of the System and personnel can we be sure that we are maintaining the highest possible degree of mobilization readiness.

Alternative Service Program

Under the Military Selective Service Act, the Director of Selective Service is charged with the responsibility of placing conscientious objectors in civilian work in the National health, safety or interest. In early fiscal year 1981, as part of the revitalization of Selective Service, a concept was developed for Alternative Service which will insure that conscientious objectors are placed in appropriate jobs. The concept provides a confluence of civilian manpower priorities, specific job openings and individual skills in an efficient and systematic way which will treat conscientious objectors fairly and with dignity. Conscientious objectors will make a civilian contribution by working in areas of national priority. The Department of Labor and the Federal Emergency Management Agency will assist in setting these priorities. Most of the actual jobs in Alternative Service will be generated locally as the result of extensive contacts between Alternative Service personnel and a host of private, public service organizations and public agencies such as the U.S. Employment Service. Additionally, through planning with the Office of Personnel Management, conscientious objectors could work for Federal agencies such as Interior or Agriculture.

During the remainder of fiscal year 1981 and fiscal year 1982, the concept for Alternative Service will be converted into a plan capable of implementation should inductions ever be resumed in a national mobilization. The planning activities in fiscal year 1982 will center around:

- developing the overall management and placement system
- final development of the job bank
- continued development of the employer network
- testing the entire program by a simulation

ANALYSIS OF CHANGES IN REQUIREMENTS
($000)

1981 Enacted, less 2% reduction, PL 96-526		$ 26,594	
~~Pay Raise Supplemental~~ Reclassify		-1,940 ~~940~~	
			24,654
Total 1981 Budget Authority Requested			$ ~~27,534~~
Changes for 1982:			
Decreases (Non-Recurring Costs):			
Data Management Center		$ - 953	
Remote Concentrator & Terminals		- 250	
Office Automation		- 360	
Induction/Appeals System		-1,467 ~~-3,967~~	
Catch-up Registration		-3,257	
Board Member Program Development & Recruitment		-856 ~~-1,266~~	-7,113 ~~10,053~~
Increases:			
Program			
Increased Contribution to MEPCOM	$ 250		
Alternative Service Programming	750		
~~Appeal Board Programming/Terminals~~	~~1,100~~		
File Validation	953		
Streamline Computer Operation	210		
16 ~~25~~ Additional Positions	369 ~~496~~		
Total Program Increases		$ ~~3,759~~	7,532
Annualization of positions authorized in previous fiscal year		1,161 ~~1,564~~	3,673 ~~5,323~~
Total 1982 Appropriation Request			$ ~~22,804~~ 21,174

SELECTIVE SERVICE SYSTEM

Federal Funds

General and special funds:

SALARIES AND EXPENSES

For necessary expenses of the Selective Service System, including expenses of attendance at meetings and of training for uniformed personnel assigned to the Selective Service System, as authorized by law (5 U.S.C. 4101–4118) for civilian employees; and not to exceed $500 for official reception and representation expenses: [$27,137,000:] ~~$21,804,000~~: *Provided*, That during the current fiscal year, the President may exempt this appropriation from the provisions of subsection (c) of section 3679 of the Revised Statutes, as amended, whenever he deems such action to be necessary in the interest of national defense; *Provided further*, That none of the funds appropriated by this Act may be expended for or in connection with the induction of any person into the Armed Forces of the United States. *(Department of Housing and Urban Development—Independent Agencies Appropriation Act, 1981.)*

$21,174,000

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

SELECTIVE SERVICE SYSTEM
SALARIES AND EXPENSES

A-11-32A

Program and Financing (in thousands of dollars)

Identification code 90-0400-0-1-054	1980 actual	1981 estimate	1982 estimate
Program by activities:			
1. Mobilization Readiness	15,625	25,020	18,857
2. Reserve Program	3,454	3,947	3,947
Total program costs, funded 1/	19,079	28,967	22,804
Change in selected resources (undelivered orders)	1,350	-1,433	---
10.00 Total obligations	20,429	27,534	22,804
Financing:			
25.00 Unobligated balance lapsing	1,036	---	---
39.00 Budget authority	21,465	27,534	22,804
Budget authority:			
40.00 Appropriation	21,465	27,137	22,804
40.00 Reduction pursuant to Public Law 96-526	---	-543	---
44.20 Supplemental for civilian pay raises	---	370	---
44.30 Supplemental for military pay raises	---	570	---

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

SELECTIVE SERVICE SYSTEM
SALARIES AND EXPENSES

A-11-32A

Program and Financing (in thousands of dollars)

Identification code 90-0400-0-1-054	1980 actual	1981 estimate	1982 estimate
Relation of obligations to outlays:			
71.00 Obligations incurred, net	20,429	27,534	22,804
72.40 Obligated balance, start of year	2,792	13,640	6,374
74.40 Obligated balance, end of year	-13,640	-6,374	-4,818
77.00 Adjustments in expired accounts	-125	---	---
90.00 Outlays, excluding pay raise supplemental	9,456	34,029	24,191
91.20 Outlays from civilian pay raise supplemental	---	344	26
91.30 Outlays from military pay raise supplemental	---	427	143

1/ Includes capital investment as follows: 1980, $550 thousand; 1981, $4,950 thousand; 1982, $1,245 thousand.

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

SELECTIVE SERVICE SYSTEM A-11-34A
SALARIES AND EXPENSES
OBJECT CLASSIFICATION (in thousands of dollars)

Identification code 90-0400-0-1-054		1980 actual	1981 estimate	1982 estimate
	Personnel compensation:			
11.1	Full-time permanent positions...	1,826	3,982	5,820
11.3	Positions other than permanent..	89	978	283
11.5	Other personnel compensation....	11	36	31
11.8	Special personal services payments.....	4,232	5,324	5,153
11.9	Total personnel compensation..	6,158	10,320	11,287
12.1	Personnel benefits: Civilian....	279	490	605
13.0	Benefits for former personnel....	1	---	---
21.0	Travel and transportation of persons.....	313	957	1,255
22.0	Transportation of things.....	9	25	15
23.1	Standard level user charges.....	228	539	602
23.2	Communications, utilities, and other rent.....	1,006	1,475	2,238
24.0	Printing and reproduction.....	659	1,155	603
25.0	Other services.....	9,547	8,766	4,414
26.0	Supplies and materials.....	310	262	533
31.0	Equipment.....	569	4,978	1,252
93.9	Total costs, funded.....	19,079	28,967	22,804
94.0	Change in selected resources.....	1,350	-1,433	---
99.9	Total obligations.....	20,429	27,534	22,804

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

SELECTIVE SERVICE SYSTEM
SALARIES AND EXPENSES

PERSONNEL SUMMARY

Identification code 90-0400-0-1-054	19 80 actual	19 81 estimate	19 82 estimate
Total number of full-time permanent positions	101	243	268
Total compensable workyears: Full-time equivalent employment	80	212	284
Full-time equivalent of overtime and and holiday hours	(1)	(1)	(1)
Average ES salary	$49,218	$50,112	$50,112
Average GS grade	9.82	8.22	8.10
Average GS salary	$22,189	$21,436	$21,019
Average salary of ungraded positions	$13,208	$14,830	$14,830

STANDARD FORM 306
July 1968, Bureau of the Budget
Circular No. A-11, Revised.
306-103

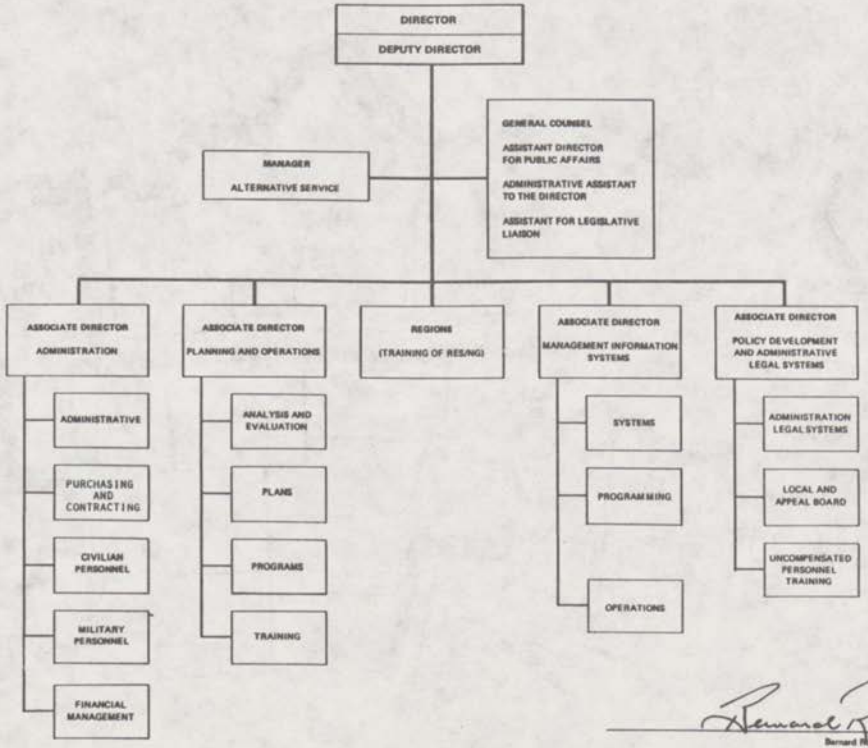
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SELECTIVE SERVICE SYSTEM
SALARIES AND EXPENSES

DETAIL OF PERMANENT POSITIONS

	1980 actual	1981 estimate	1982 estimate
Executive level IV	1	1	1
ES-6	1	1	1
ES-4	1	1	1
ES-3	1	1	1
ES-1	2	2	2
Subtotal	6	6	6
GS/GM-15	9	11	11
GS/GM-14	12	17	17
GS/GM-13	6	16	18
GS-12	7	10	12
GS-11	13	27	28
GS-10	2	2	2
GS-9	10	20	20
GS-8	1	1	1
GS-7	10	11	16
GS-6	13	27	30
GS-5	7	89	101
GS-4	2	4	4
GS-3	2	1	1
Subtotal	94	236	261
Ungraded	1	1	1
Total permanent positions	101	243	268
Unfilled positions, end of year	-14	-5	-5
Total permanent employment, end of year	87	238	263

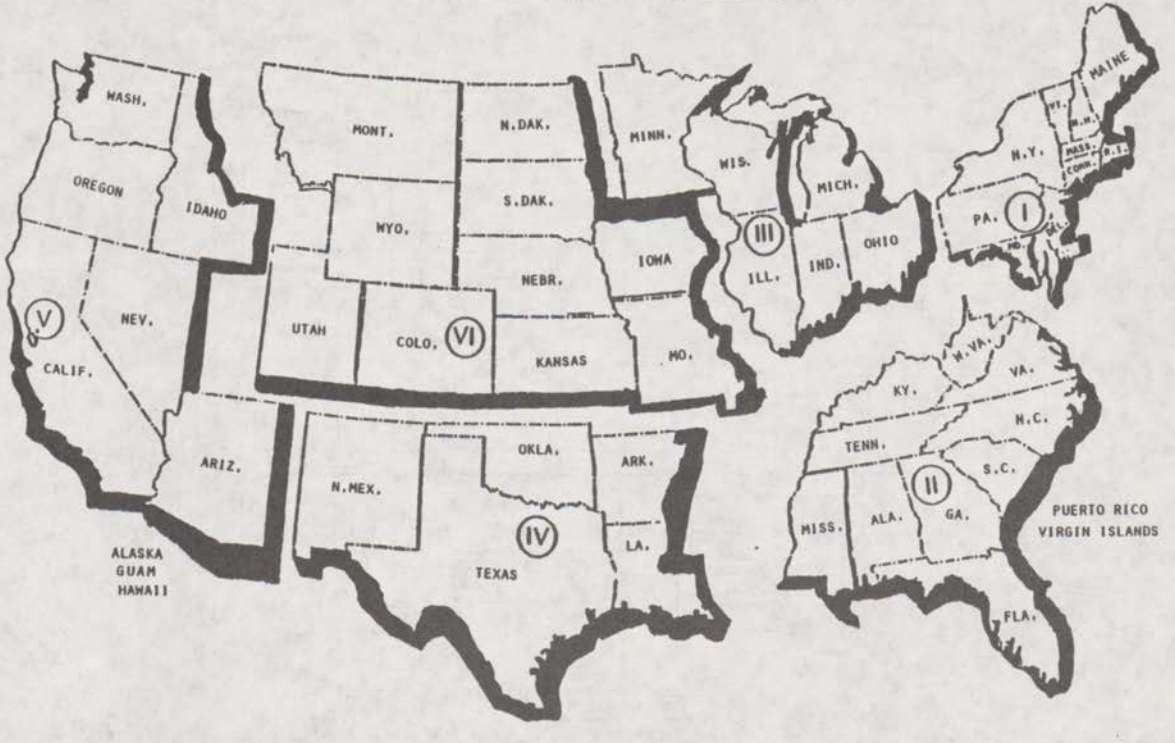
SELECTIVE SERVICE SYSTEM



Bernard Rostker, Director

JANUARY 1981

SELECTIVE SERVICE SYSTEM REGIONS



January 1981

THURSDAY, MARCH 26, 1981.

U.S. OFFICE OF CONSUMER AFFAIRS

WITNESSES

VIRGINIA H. KNAUER, SPECIAL ASSISTANT TO THE PRESIDENT, AND DIRECTOR, U. S. OFFICE OF CONSUMER AFFAIRS
FRANK R. MARVIN, DIRECTOR, MANAGEMENT AND CONSUMER COMPLAINTS
CHARLES A. CADWELL, ACTING GENERAL COUNSEL
JOHN P. SCULLY, DIRECTOR, DIVISION OF OS BUDGET SERVICES DEPARTMENT OF HEALTH AND HUMAN SERVICES

	Appropriations	Staff years	Permanent positions
1980 Actual	$1,904,000	49	50
1981 Estimate	[1] 2,332,000	53	54
1982 Request	2,000,000	39	43
Decrease	−332,000	−14	−11

[1] Includes a supplemental request of $176,000 for increased pay costs and a $44,000 (2 percent) reduction pursuant to the 1981 Appropriation Act.

Mr. BOLAND. The Committee will come to order. We are delighted to have the Office of Consumer Affairs with us this afternoon. Your 1982 request is $2 million, which represents a decrease of $332,000 from the 1981 current estimate.

I will yield to Mr. Coughlin.

INTRODUCTION

Mr. COUGHLIN. It is indeed a pleasure to welcome Virginia Knauer back to government service. Having served as the Special Assistant for Consumer Affairs under both the Nixon and Ford Administrations, I am confident that her expertise will be well-utilized in the Reagan Administration.

Mrs. Knauer, before her March appointment, was President of Virginia Knauer Associates, Inc., a D.C. consulting firm specializing in consumer issues. She is a graduate of the University of Pennsylvania and in 1960, was elected to the Philadelphia City Council where she served on the Finance Committee. In 1968, she became the Director of the Pennsylvania State Bureau of Consumer Protection. In 1969, she became the Special Assistant to President Nixon for Consumer Affairs.

She presently is Director of the Office of Consumer Affairs and is a Special Assistant to the President.

It certainly is a great honor to have you back in a position with the new Administration. We welcome you here.

I note in your justification on page two, that your participation in ad hoc interagency task forces will be more selective and limited to areas essential to representing consumer interests. Can you

comment on what type of involvement you are considering both in terms of staff time and financial resources? Will you comment on this?

Ms. KNAUER. We would indeed be pleased to do so in the testimony, Mr. Coughlin.

Mrs. BOGGS. In addition to that, Mr. Chairman, she is my neighbor. How are you, Virginia?

Ms. KNAUER. Fine, thank you. How are you?

Mrs. BOGGS. Mr. Chairman, I want to join with our distinguished colleague from Pennsylvania in welcoming Virginia Knauer to the position of Special Assistant to the President. You are indeed a very respected friend of this Committee.

Mr. BOLAND. Virginia, we are delighted to have you and Frank Marvin, Director of the Office of Management and Consumer Complaints; Charles A. Cadwell, Acting General Counsel; and John P. Scully, Director, of the Division of OS Budget Services, from the Department of Health and Human Services.

Are you detailed or always here?

Mr. SCULLY. Always here, Mr. Chairman.

Mr. BOLAND. We are glad to have you.

We will place Virginia Knauer's biographical sketch in the record at this point.

[The biographical sketch follows:]

VIRGINIA H. KNAUER

On March 2, 1981, Virginia H. Knauer was appointed Special Assistant to the President and Director of the U.S. Office of Consumer Affairs. Before her appointment, Mrs. Knauer was President of Virginia Knauer and Associates, Inc., a Washington, D.C. consulting firm specializing in consumer issues.

Mrs. Knauer, a graduate of the University of Pennsylvania in Philadelphia, was elected in 1960 to the Philadelphia City Council where she served on the Finance Committee. In 1968, she became the Director of Pennsylvania's State Bureau of Consumer Protection.

In 1969, Mrs. Knauer became the Special Assistant to the President for Consumer Affairs. In addition to her White House position from 1969 to 1977, Mrs. Knauer served as Executive Secretary of the President's Committee on Consumer Interests, Director of the Office of Consumer Affairs, and U.S. Representative and Vice Chairman of the Consumer Policy Committee of the Organization for Economic Cooperation and Development (OECD).

Mrs. Knauer was also Chairman of the Council for the Advancement of Consumer Policy, a nonprofit, nonpartisan education organization; and served on the Executive Committee of the Board of the Council of Better Business Bureaus, Inc.; the National Advertising Review Board; the Products Liability Task Force of the National Chamber Foundation; the Travel and Tourism Industry Advisory Council to the Senate Commerce, Science, and Transportation Committee; and the National Steering Committee of the Voluntary Effort to Contain Health Care Costs.

Mrs. Knauer has received numerous civic and industry awards for consumer leadership, including the prestigious Gimbel Philadelphia Award for service to her city, her state, and her country. She holds eight honorary doctorate degrees and is an elected member of the "Distinguished Daughters of Pennsylvania."

Mr. BOLAND. Please proceed with your statement.

OPENING STATEMENT

Ms. KNAUER. Thank you, Mr. Chairman.

It is indeed a pleasure for me to be here today representing the Administration as the principal officer responsible for consumer matters, and as Director of the United States Office of Consumer Affairs. In many respects, while I have just recently been appoint-

ed to the position of Director, it is not new to me at all since I served for almost eight years under previous Administrations in much the same capacity.

Since my appointment on March second, my staff and I have reviewed the previous Administration's budget proposal and made modifications. The revised fiscal year 1982 budget for the U.S. Office of Consumer Affairs under consideration today provides a cohesive program of leadership in consumer education, consumer representation and consumer redress consistent with the Reagan Administration philosophy of reducing the cost of the Federal government without adverse impact on programs vital to the national interest.

Under the revised budget, in 1982 the U.S. Office of Consumer Affairs would require 43 full-time positions, 11 less than fiscal year 1981, and $2 million, a decrease of $332,000 from the anticipated fiscal year 1981 appropriation level of $2,332,000.

The reduction in USOCA funds and staffing in 1982 would require: (1) adoption of more efficient methods of accomplishing the objectives for USOCA as set forth in Executive Order 11583 of February 24, 1971, and Executive Order 12160 of September 26, 1979; (2) a reduction in emphasis or elimination of staff involvement in certain initiatives, most significantly staff intervention in public utility rates cases; and (3) a reduction in the amount of funds previously estimated for travel, printing and administrative support.

Achieving this reduction will not be an easy task. It will require some personnel changes and belt tightening, but we are committed to continue priority programs and to minimize the hardship on individual employees as we move to improve efficiency and reduce resource requirements. However, I feel we must share in the responsibility for bringing Federal expenditures more in line with available funding. I am convinced though, that through operating with a smaller staff and leaner budget we will nevertheless be able to achieve the objectives for the U.S. Office of Consumer Affairs set forth in Executive Orders 11583 and 12160.

To do so, the fiscal year 1982 budget reflects the following changes:

While we will continue to implement Executive Order 12160, I am directing my staff to re-evaluate the costs and benefits of specific ongoing projects such as the need for a separate personnel series for Federal employees engaged in consumer activities, and the need for a full-time, permanent employee of USOCA to be engaged in training other Federal employees on consumer issues.

The legislative/regulatory initiatives of USOCA will continue, except that we will be more selective in participation on ad hoc inter-agency task forces and we will discontinue staff involvement in intervention in public utility rate cases.

In the area of information/education, I believe we should consolidate the three major publication efforts: the twice-monthly Consumer Action Update, the weekly "Dear Consumer" column and the monthly Consumer Buying Alert which was previously published in cooperation with the Council on Wage and Price Stability. These three consumer publications can easily be incorporated into a single twice-monthly publication.

Finally, our efforts to handle consumer complaints will focus more on providing technical advice to the business sector, and to State and local governments in their efforts to facilitate equitable resolution of consumer problems.

Mr. Chairman, the programs of the U.S. Office of Consumer Affairs as presented in this revised budget are designed to insure that the consumer interest is indeed well represented in the activities of the new Administration.

I have with me, as you noted previously, Frank Marvin, Director of Management and Consumer Complaints and Charles Cadwell, Acting General Counsel of USOCA, who are familiar with the accomplishments of USOCA in the past fiscal year and who can address certain technical matters which may arise. Also with us is John Scully, Director of Budget Services for the Office of the Secretary, Department of Health and Human Services, which provides administrative oversight to USOCA.

I have only been aboard three weeks and my staff members here are more conversant with some of the programs that have taken place. We are just now planning new initiatives for the coming year.

RESPONSIBILITIES OF THE SPECIAL ASSISTANT

Mr. BOLAND. Is there any significance to your being called the Special Assistant to the President instead of the Special Assistant to the President for Consumer Affairs?

Ms. KNAUER. Yes. This is a new initiative within this Administration. Rather than having a single person representing specific groups such as Hispanics, Blacks, women or consumers, there are now five Special Assistants to the President. We all operate out of the Office of Public Liaison in the White House, headed by Mrs. Elizabeth Dole.

We have expanded portfolios. The core of my responsibilities is consumer affairs, but with added responsibilities for the aging, the disabled, health care matters and also safety.

USOCA has always been involved in all these areas, so the added tasks will not be completely new.

REDUCTIONS IN REVISED FISCAL YEAR 1982 BUDGET

Mr. BOLAND. The 1982 Carter request for OCA was $2,649,000 and 55 staff years. The 1982 Reagan proposal for OCA is $2,000,000 and 39 staff years. Frank Marvin, since you are familiar with the details, how was the reduction of $649,000 in the 1982 request determined?

Did OMB provide a target and let you distribute the reduction?

Mr. MARVIN. Yes, sir.

Mr. BOLAND. Has OMB given you full-time equivalent ceilings for fiscal years 1981 and 1982?

Mr. MARVIN. Not yet, sir. OMB did recommend the reduction of 11 positions in addition to the $649,000. Within that level we have flexibility; but as yet, we have no personnel ceiling for 1981 or 1982.

Mr. GREEN. Mr. Chairman, on that—I am puzzled that your full-time positions seem to go down over 20 percent at the same time

your dollar balance is dropping a little over 14 percent. Can you explain that disparity?

Mr. MARVIN. Three out of four dollars in the budget are for personnel salaries and related benefits. The reduction in funding is actually $649,000. We have been operating near the minimum level in other than personnel costs such as travel and training. The result is we have had to cut personnel significantly.

Mr. GREEN. But, if you are that labor intensive I would have expected the reduction in personnel to result in a comparable reduction in the budget.

Mr. MARVIN. If you have a budget reduction of $649,000 and in your budget, three out of four dollars are for personnel, you have relatively little flexibility.

Mr. BOLAND. The revised Personnel Summary Schedule on page 23 of the justifications shows full-time equivalent employment to be 39 in fiscal year 1982. How does that break down between full-time permanent positions and all other positions?

Mr. MARVIN. At the moment we are projecting six other-than-full-time positions.

Mr. BOLAND. How many permanent positions are currently filled?

Mr. MARVIN. Thirty-seven, sir.

Mr. BOLAND. Are you going to fill two more? You are requesting 39.

Mr. MARVIN. No, sir, we are going to fill a number of vacant positions. The key positions in the organization are all vacant at the moment. We presently have 17 vacancies. Eleven of those are Schedule C policy formulating type positions.

Mr. BOLAND. Will a reduction-in-force be necessary?

Mr. MARVIN. That is a strong possibility.

INCREASED PAY COSTS

Mr. BOLAND. OCA is requesting a $176,000 supplemental appropriation for increased pay costs. That amount seemed a little high—more than the 9.1 percent raise in personnel compensation. How do you explain that?

Mr. MARVIN. The justification for the pay raise supplemental in 1981 assumed we would get all the additional positions requested in the 1981 budget and it was also based on a departmental formula. In going back and reexamining it, it does appear the number is high. We will not need $176,000. Our current estimate is $142,000.

Mr. BOLAND. How much will be saved because of the Administration's hiring freeze and reductions in travel, consultant expenses and equipment?

Mr. MARVIN. We estimate we will need all the money requested. This is based on an assumption we will be able to consummate all our pending personnel actions. They are of a non-competitive nature. We do not have time-consuming competitive actions in the process.

Also, we started out at the beginning of the year with a relatively low vacancy rate. Thus, I think our obligation rate will be what is projected in the budget for 1981.

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Mr. BOLAND. In 1980, Congress provided $43,000 of the $85,000 requested for increased pay costs. How did OCA cover the 1980 pay costs?

Mr. MARVIN. Frankly, we could not absorb all the reduction. We requested and HHS Departmental officials agreed to absorb part of the reduction for us. As we indicated in the hearing on the fiscal year 1981 budget, we simply were very tight in 1980. Also, the supplemental came too late in the budget year for us to initiate significant corrective measures.

Mr. BOLAND. Anyway, you expect us to reduce the $176,000 supplemental appropriation originally proposed.

Mr. MARVIN. Well, sir, recognizing that all of the $176,000 will not be needed to fund the actual amount of the pay increase, we would assume the Committee would consider a lower number, but for every dollar cut there is a limitation on the number of positions that we can fund later in the year.

INTERVENTION

Mr. BOLAND. Last year, Senator Danforth added language to the 1981 bill that none of OCA's funds could be used to intervene in any Federal agency's adjudicatory or regulatory proceedings. That limitation was dropped in conference.

On page two of the justification you state: "Intervention in formal public utility regulatory cases is being discontinued . . ." Is OCA planning any intervention activities?

Ms. KNAUER. No, Mr. Chairman, we are not.

PUBLICATIONS DISTRIBUTION

Mr. BOLAND. On page 20, the 1982 request includes $352,000 for reimbursement to the General Services Administration Consumer Information Center to cover OCA's share of free publications distributed at the Peublo, Colorado facility. That represents a $230,000 increase over 1981. It appears that the distribution of free publications has a higher priority than other OCA activities.

Why would 17.6 percent of OCA's budget be devoted to the distribution of free publications?

Ms. KNAUER. This is a long and complicated story. I will let Mr. Marvin describe it. We are being billed now for mailings that were done over a year ago.

Mr. MARVIN. Mr. Chairman, when the funding of the Consumer Information Center at Pueblo, Colorado was changed from the Legislative to Executive Branch, the Administration determined this activity should be funded in an orderly manner that would enable the funding requirements to be incorporated in the budget process. Thus the base year for billing was established as the 12-month period ending in the month of March.

That data was used in formulating the next budget. So, the 1982 budget had a base year of publications distributed in the year which ended March 31 of 1980. Publications distributed between April 1979 and March 1980 were included in the base year computation. At the time we were distributing certain publications from the Pueblo facility, it was not at all clear who would have the

responsibility to pay for the postage and handling charges for these publications.

Late in 1979, we determined there might be a problem. We developed a plan and presented it to OMB. This plan was included in the 1982 ZBB review. Ultimately, the Administration decided this office would be the responsible office to pay those charges.

Ms. KNAUER. The whole thing?

Mr. MARVIN. The whole thing. It was an Administration decision that the Office should fund the publications.

Mr. BOLAND. Will the 1983 cost be as high or higher?

Mr. MARVIN. We expect it will be slightly higher, sir.

REDUCTION IN PRINTING COSTS

Mr. BOLAND. In the area of information and education, you mentioned in your statement that the twice monthly *Consumer Action Update,* the weekly "Dear Consumer" column and the monthly *Consumer Buying Alert* (which was previously published in cooperation with the Council on Wage and Price Stability), can be easily incorporated into a single twice-monthly publication.

How much will you save?

Mr. MARVIN. There would be a saving of $15,000 in printing the *Consumer Action Update* and "Dear Consumer." We had no funding responsibility for printing the *Consumer Buying Alert.*

EXECUTIVE ORDER 12160

Mr. BOLAND. During last year's hearings, there was some discussion about the Consumer Affairs Council. Although composed of representatives from several agencies, I understand that OCA covers all costs associated with the Council. Is that correct? How much is in the 1981 and 1982 budgets for support of the Consumer Affairs Council?

Mr. MARVIN. It would be a part of the total resources for implementation of the Executive Order. In 1981, that would be 6.5 staff years and $233,489; for 1982, 5.18 staff years and $165,682 are projected.

Except for papers, pencils, floor space, etc., there is relatively little beyond staff time.

Mr. BOLAND. Page one of the justification, indicates that 42 Federal agencies have consumer programs developed in accordance with Executive Order 12160. What level of consumer program resources, both in dollars and in positions, does each participating Federal agency have in its 1981 operating plan for consumer program activities? In its 1982 budget request?

You may supply that for the record.

[The information follows:]

Part of the Administration's budget review process for fiscal year 1982 was to identify and assess the adequacy of agency resources associated with Executive Order 12160. Frankly, the budget data collected were quite disappointing. Estimates of funding and personnel were comingled with resources supporting ongoing agency programs in general and were not limited to implementing the Order. It also appeared that some agencies had difficulty isolating historical data related to the Order as accounting data were not structured to present the desired information. As a result, the figures displayed in related agency budget exhibits were grossly overstated in many cases and thus essentially meaningless.

Mr. BOLAND. How does OCA measure the effectiveness of each agency's consumer plan?

Mr. MARVIN. There are criteria for each of five activities, for instance, the organizational location of the consumer office, and the procedures for complaint handling, including investigating and tracking complaints. For each of the five areas there are fundamental factors which were initially provided to Federal agencies in the development of their plans. We will be pleased to provide it for the record.

[The information follows:]

[From the Federal Register, Vol. 45, No. 112, Monday, June 9, 1980]

2. GUIDELINES FOR IMPLEMENTING THE CONSUMER'S EXECUTIVE ORDER

OCTOBER 4, 1979.

MEMORANDUM TO THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

From: Esther Peterson, Special Assistant To the President for Consumer Affairs and Chairperson of the Consumer Affairs Council.

Subject: Guidance Regarding the Development of Consumer Programs Required by Executive Order No. 12160.

On September 26, 1979, the President issued Executive Order No. 12160, entitled "Providing for Enhancement and Coordination of Federal Consumer Programs". He designated me Chairperson of the Consumer Affairs Council created by the Order.

As Chairperson of the Council, I will be responsible, on behalf of the President, for reviewing and approving agency programs for compliance with the Order. Draft programs are to be completed, and published in the Federal Register for public comment, by November 25. (Section 1-5 of the Order sets out the timetable for development and implementation of these programs. A copy of the Order is attached.)

The Order requires each agency to develop and maintain a consumer program with, at a minimum, five elements:

(1) An identifiable consumer affairs staff authorized to participate in the development and review of all agency rules, policies, programs, and legislation;

(2) Effective procedures for consumer participation in the development and review of all agency rules, policies, and programs;

(3) Development of informational materials for consumers;

(4) Consumer affairs training for agency staff members and, to the extent considered appropriate, provision of technical assistance to consumers and their organizations; and

(5) Systematic procedures for complaint handling. The Order requires that each agency revise its operating procedures to incorporate the consumer program developed under the Order. Each agency's program should indicate the mechanism (for example, Departmental order or rule) by which this will be accomplished.

The head of each agency is required to designate a senior-level official within the agency to exercise, as the official's sole responsibility, policy direction for and coordination and oversight of, the agency's consumer activities. The designated official is to report directly to the agency head.

The purpose of this memorandum is to indicate briefly what I will be looking for in reviewing agency programs for compliance with the Order. I hope that you will find this preliminary guidance useful. If you have any questions about this memorandum, or about the Order itself, feel free to call me at 456-6590 or Belle O'Brien of my staff at 456-6534.

I look forward to working with you to make this Order a success. Thanks to the president, we now have an unprecedented opportunity to build into the structures and processes of government an enhanced responsiveness to the needs and interests of consumers.

Consumer affairs perspective

Requirement: Agencies shall have identifiable, accessible professional staffs of consumer affairs personnel authorized to participate, in a manner not inconsistent with applicable statutes, in the development and review of all agency rules, policies, programs, and legislation. (Subsection 1-401(a).)

Comment: Each agency's program for compliance with the Order should indicate:

Where the consumer affairs staff will be located on the agency's organizational chart;

How large it will be and what expertise and resources it will have;

Whether the staff will have responsibilities in addition to those under 1–401(a);

What its relationship will be to other staffs performing consumer affairs functions under the Order and to the principal operating components of the agency;

How the consumer affairs staff will be apprised of opportunities for it to participate in the development and review of all rules, policies, programs, and legislation;

At what stages of agency decisionmaking, in each of these four areas, participation by the consumer affairs staff will take place; and

How the consumer affairs staff will participate (e.g., membership on agency task forces and working groups, meetings with key agency officials, written comments on proposals, and so forth).

Consumer participation

Requirement: Agencies shall establish procedures for the early and meaningful participation by consumers in the development and review of all agency rules, policies, and programs. Such procedures shall include provisions to assure that consumer concerns are adequately analyzed and considered in decisionmaking. To facilitate the expression of those concerns, agencies shall provide for forums at which consumers can meet with agency decisionmakers. In addition, agencies shall make affirmative efforts to inform consumers of pending proceedings and of the opportunities available for participation therein. (Subsection 1–401(b).)

Comment: Each agency's program for compliance with the Order should indicate:

At what stages of agency decisionmaking regarding rules, policies, and programs consumer participation will take place;

What avenues of participation will be available to consumers in each of these types of proceses (e.g., written comments, regional public hearings, membership in ad hoc working groups);

What steps the agency will take to ensure that consumer concerns are adequately analyzed, and then considered, in decisionmaking;

What staffs or officials in the agency will be responsible for implementing the agency's consumer participation responsibilities under the Order;

The format, level of participating agency officials, geographical dispersion, and approximate number per year of forums the agency will hold to facilitate consumer interaction with agency officials; and

What special efforts the agency will undertake to notify consumers of opportunities to participate in agency decisionmaking (e.g., publication of notices in periodicals other than the Federal Register).

Informational materials

Requirement: Agencies shall produce and distribute materials to inform consumers about the agencies' responsibilities and services, about their procedures for consumer participation, and about aspects of the marketplace for which they have responsibility. In addition, each agency shall make available to consumers who attend agency meetings open to the public materials designed to make those meetings comprehensible to them. (Subsection 1–401(c).)

Comment: Each agency should include in its consumer program a discussion of printed and audiovisual informational materials in each of the three areas identifed in the Order (agency responsibilities and services, procedures for consumer participation, and marketplace information), including:

An assessment of the currency, completeness, and utility of current informational materials in each area;

Plans for additional or revised informational materials to rectify present inadequacies;

The timetable for new informational materials;

The manner in which the informational materials will be distributed; and

The staffs or officials who will be responsible for planning and carrying out the agency's consumer information program.

With respect to the requirement that agencies make available explanatory materials regarding meetings open to the public, each agency should indicate:

Which staffs or officials will be responsible for preparing these materials;

The format of the materials; and

The manner in which their availability is to be publicized and their distribution effected.

Education and training

Requirement: Agencies shall educate their staff members about the Federal consumer policy embodied in this Order and about the agencies' programs for carrying

out that policy. Specialized training shall be provided to agency consumer affairs personnel and, to the extent considered appropriate by each agency and in a manner not inconsistent with applicable statutes, technical assistance shall be made available to consumers and their organizations. (Subsection 1-401(d).)

Comment: Each agency should indicate in its consumer program:

Which staffs or offices will be responsible for educating staff members about the Order and the agency's activities under it;

How that educational process will be carried out (e.g., briefing sessions for policy-making personnel, circulation of the Order and related materials);

What steps the agency will take to ensure that significant changes in the structure or procedures of its consumer program will be promptly communicated to agency staff members;

Who will be responsible for providing specialized training to consumer affairs personnel;

In what areas (e.g., complaint-handling, consumer participation procedures, preparation of informational materials for consumers) training will be provided, and on what basis decisions will be made as to which consumer affairs personnel will be offered training and on what topics.

Agencies that decide to provide technical assistance to consumers and their organizations should indicate:

By whom such assistance will be provided;

What sort of technical assistance will be made available (e.g., answering scientific, technical, or procedural questions, assisting consumers and groups in the preparation of applications, forms, and other documents); and

How decisions will be made as to which consumers and organizations, from among those seeking technical assistance, will be provided such assistance.

Agencies that decide not to provide technical assistance should include in their consumer programs a discussion of why such assistance is not considered appropriate.

Complaint handling

Requirement: Agencies shall establish procedures for systematically logging in, investigating, and responding to consumer complaints, and for integrating anaylses of complaints into the development of policy. (Subsection 1-401(c).)

Comment: Each agency should develop precedures to govern each stage of the complaint-handling process. Thus, each agency should indicate what procedures will be followed, and which officials and staffs will be responsible, for:

Heightening public awareness of the receptivity of the agency to complaints, and the manner in which, and offices with which, such complaints are to be filed;

Logging in, in a standard format and in accordance with standard topical categories, all complaints received by the agency including those received by telephone. (The format, and categories used in logging in complaints should be designed to facilitate subsequent performance of tracking and analysis functions);

Routing complaints to appropriate agency offices for investigation and analysis;

Tracking agency handling of complaints, from receipt forward, to ensure that they are investigated and responded to expeditiously and to permit identification of key bottlenecks in the complaint-handling process;

Responding to complaints (these procedures should include a format for acknowledgements and responses, and should establish a deadline for the transmittal of acknowledgement of complaints, outlining steps that will be taken by the agency, indicating who may be contacted for further information, and specifying an expected resolution date);

Statistical reporting of complaints according to topical categories, and analysis of the patterns of issues raised and their implications for agency policymaking;

Regular reports to key agency officials regarding the patterns and policy implications of the complaints received; and

Evaluation of the agency's complaint-handling system to assess the promptness and quality of agency responses.

Oversight

Requirement: The head of each agency shall designate a senior-level official within that agency to exercise, as the official's sole responsibility, policy direction for, and coordination and oversight of, the agency's consumer activities. The designated official shall report directly to the head of the agency and shall apprise the agency head of the potential impact on consumers or particular policy initiatives under development of review within the agency. (Subsection 1-402.)

Comment: Each agency should indicate the title, GS-level, and organizational placement of the designated official, and should describe with particularity the nature of the official's responsibilities and authority, and the ways in which the

official will interact and interface with other agency offices and staff members, including those who are performing consumer affairs responsibilities under the Order.

REDUCTIONS IN FISCAL YEAR 1981 BUDGET

Mr. BOLAND. The 1981 budget request for the Office of Consumer Affairs was reduced $257,000. Where did OCA apply the reduction? You may supply detailed information for the record.

[The information follows:]

REDUCTION IN FISCAL YEAR 1981 BUDGET

[In thousands of dollars]

	Budget Estimate	Appropriation	Change
Seven new positions	150	72	−78
Two new publications	30	0	−30
Training film	22	0	−22
Reprint of Consumer's Resource Handbook	75	6	−69
Travel of consumer leaders	20	15	−5
Experts to aid in intervention	30	15	−15
Postage increase	96	86	−10
Full funding of base positions	50	30	−20
One less work day	−5	−5	0
Additional charges for GSA Consumer Information Center publications distribution	37	37	0
Offset of employee parking	−2	−2	0
Senior Executive Service bonus	8	0	−8
Total	511	254	−257

FEDERAL COMPLAINT COORDINATING CENTER

Mr. BOLAND. Page 14 refers to the Federal Complaint Coordinating Center. What is that?

Mr. MARVIN. It is the Consumer Complaint staff, redesignated to recognize the reorientation of the Office toward technical advice as opposed to handling individual complaint letters.

Mr. BOLAND. When was it created?

Mr. MARVIN. About a year ago.

Mr. BOLAND. What resources are devoted to the FCCC?

Mr. MARVIN. In our revised 1982 budget, we estimated six positions, sir.

AVERAGE GRADE OF EMPLOYEES

Mr. BOLAND. On page 23, the average GS grade increases to 11.37 in 1982, from 10.60 in 1980.

What causes the average grade to increase by nearly three-quarters of a grade?

Mr. MARVIN. It is just an aspect of the distribution pattern for our personnel and a formula for computing the average grade. The actual number of people on board in 1982 will average 39, as opposed to 49 authorized positions.

It is only fair to recognize, sir, that the average grade of our employees should be consistent with the policy level personnel we meet in our daily contacts. We believe the average grade level is not high, particularly if you compare it with other agencies such as the Advisory Committee on Intergovernmental Relations (average

grade in 1980, 12.40), the U.S. Metric Board with an average grade level of 12.70; or OSHA, with 10.99.

Mr. BOLAND. The detail of permanent positions reflected on page 24 indicates there are nine GS-15 positions in 1982. The 1982 Carter budget showed eight GS-15 positions. Why has the number of GS-15 positions increased when the total number of positions has declined?

Mr. MARVIN. That reflects the addition of the second Deputy Director, USOCA, consistent with changing the role of Special Assistant to the President.

Mr. BOLAND. Mr. Green.

Mr. GREEN. No questions.

Mr. BOLAND. Mr. Coughlin.

Mr. COUGHLIN. Thank you, Mr. Chairman.

RENEWED EMPHASIS ON EDUCATION AND INFORMATION

I was certainly pleased to hear the new Director's statement that there would be no further intervention in Federal agency adjudicatory or regulatory proceedings. I guess I have always had concern about one government sector intervening in another is proceedings. I look on this as a step forward by the Reagan Administration.

Could you give us an idea, Mrs. Knauer, of your opinion of the role of the Office of Consumer Affairs, and its function as an educational rather than an advocacy bureau.

Ms. KNAUER. Congressman Coughlin, in the Nixon and Ford Administration there was emphasis on consumer education. We were first to provide suggested guidelines for consumer education—from kindergarten to the 12th grade. We followed that with suggested guidelines for adult consumer education. The Office of Consumer Affairs has always been a leader in this area. I feel now that as the consumer movement itself has grown, it has become much more sophisticated. Meetings with leaders in the consumer movement in the last few weeks, indicate that the more recent emphasis on intensive legislative or regulatory action in the consumer area has lessened.

Everyone feels we should, again, stress consumer education and consumer information. I would certainly like to lead our office in this renewed emphasis. In these inflationary times, people—particularly those on fixed incomes—face difficult times and it is important that we encourage the private sector to give as much information and education as possible in booklets and in their other methods of contacting the public. I think in seminars or meetings that we plan to have, we will be able to accomplish this.

EVALUATION OF AGENCY CONSUMER PROTECTION EFFORTS

Mr. COUGHLIN. Following up on that, can you give us any idea, generally, as to the percentage of your budget in personnel devoted to advocacy and checking up on other agencies' consumer protection activities?

Ms. KNAUER. That would come under the Consumer Affairs Council. I have not yet called a meeting of the Council, and I am not sure we can or should undertake such evaluations.

Mr. MARVIN. The basic philosophy has been that OCA would provide staff support to the Council. The Council would be advisory in nature and the agencies would have the responsibility to respond within their own organizations for compliance with their individual plans. Even in last year's budget sessions, there was a statement made by Esther Peterson that she did not envision that our staff would be snoopers—opening file drawers, et cetera. The relationship of USOCA to other agencies should be to cooperate and to encouarge effective consumer representation.

INTERAGENCY TASK FORCES

Mr. COUGHLIN. I note in your justification on page two, that your participation in ad hoc interagency task forces will be more selective and limited to areas essential to representing consumer interests. Can you comment on what type of involvement you are considering, both in terms of staff time and financial resources? Will you comment on that?

Ms. KNAUER. I think we have to wait until such time as we are asked to serve on these committees. Then we would have to see how directly they affected consumer welfare before we actually put time and money into them.

Do you gentlemen have any comments?

Mr. CADWELL. So far as I know, the interagency policy making apparatus has not been completely formed yet.

Mr. COUGHLIN. Does cable television provide free public service announcements air time, as do networks for television programming?

Mr. MARVIN. It is my understanding it is possible and it is one of the changes we envisioned in this budget; that is, to take some of the money that has been previously devoted to printing and use that on audio/visual messages.

Ms. KNAUER. We used to do a four-minute package for a radio program called "Help for Consumers." It was very popular. It was a free service sent to 1,600 or more radio stations. They used it on a regular basis. It provided helpful information, with interviews of people in and outside government, who had expertise, and who we felt would help consumers. We would like to do something similar, making use of free public service time.

Mr. COUGHLIN. Apparently, cable television has possibilities in terms of consumer education.

Mr. MARVIN. With the limited budget we have, the first year we could have a few TV slides as a visual focal point, supported by an audio message. In the future we hope to work more with cable networks to increase their offering of consumer information.

LOCATION OF USOCA OFFICES

Mr. BOLAND. Where is the Office located?

Ms. KNAUER. In the Reporter's Building at 7th and D Streets, Southwest in Washington. Of course I have an office in the White House complex in the Old Executive Office Building.

Mr. BOLAND. Mrs. Boggs.

EXECUTIVE DIRECTION

Mrs. BOGGS. Thank you, Mr. Chairman. Virginia, welcome. I know if anyone can possibly take on more tasks than previously for less money, it is Virginia Knauer.

Ms. KNAUER. I have a very dedicated staff and they do not mind wearing two or three hats.

Mrs. BOGGS. I noticed that you asked for a new position of Deputy Director. Does that mean there will be two Deputy Directors?

Ms. KNAUER. Yes, there will be two deputies, one I find is needed to conduct staff programs that fall within White House responsibility, especially the liaison with citizen groups. We also need a second full-time Deputy Director to work within the Office of Consumer Affairs on specific consumer issues.

As you remember, the Office has always provided staff support for the Special Assistant in programs pertaining to American consumers.

Mrs. BOGGS. You have so many added responsibilities and apparently, the President has extended the portfolios of a number of White House aides.

Ms. KNAUER. Yes.

Mrs. BOGGS. Did you get any staffing for these other activities of your White House office, which include representation of the aging, the disabled, health care and safety matters?

Ms. KNAUER. My salary is the only one included as part of the White House staff. I have been utilizing members of the OCA on a rotating basis. I do have an office at OCA in the Reporter's Building, and I certainly intend to be there part of the week because I feel it is important that I be there physically, especially to stimulate the staff to be more creative.

In other words, we have to get more for each dollar spent.

INTERVENTION—ADDITIONAL DISCUSSION

Mrs. BOGGS. The revised budget reflects elimination of staff intervention in public utility rate cases. Page two, number two of the justification book says: "Intervention in formal public utility regulatory cases is being discontinued, as it is believed that function is more appropriately the responsibility of Federal and State government agencies having the statutory authority and resources to insure equity to the consumer and the provider." If the intervention will no longer be conducted on the Federal level, would you list for me both the Federal and State governments that would intervene on the public's behalf?

Ms. KNAUER. In the case of the State agencies, the Public Utility Commission. I know the story in Pennsylvania better than I do in the other States where there is an advocate who represents consumers vigorously. He represents the consumer point of view in all state regulatory matters. I personally feel the Presidential spokesman should not be intervening in a state matter, dealing with public utility rates.

Mrs. BOGGS. What Federal agencies are involved?

Ms. KNAUER. In that case, it would probably be the Department of Energy.

Mrs. BOGGS. The Postal Rate Commission and I.C.C., perhaps?

Mr. CADWELL. So far as I know, the only Federal office with statutory authority is the office of the Commissioner of the Postal Rate Commission. The office of the Rail Public Counsel in the I.C.C. is no longer active in this regard.

Mrs. BOGGS. So, when you refer on page two to Federal agencies that would have the statutory involvement, we are really just saying the Postal Rate Commission?

Mr. CADWELL. The only one with responsibility to represent consumers in Federal agency proceedings. I think that is correct. The only other would be HHS and the FTC, which are obliged to represent consumer interests, among others in dumping proceedings before the International Trade Commission.

Mrs. BOGGS. I was just curious which agencies there were, because I was not aware of any others except for the Postal Rate Commission.

On the point of regulatory intervention I have another question. While six full-time, permanent staff positions in the "Legislative/Regulatory" function will be eliminated, no such cut-back will be made in "Education/Information." Is that correct?

Ms. KNAUER. Yes, it is.

Mrs. BOGGS. Were they mostly involved in this type intervenor action?

Mr. MARVIN. The intervention activities involved 1.6 person years and about $80,000 of total effort, including salaries.

Mrs. BOGGS. Then if there is that much of a cutback in the legislative/regulatory function and no such cutback in the education/information function, does it indicate OCA will operate more as a consumer complaint center or resource, rather than a vigorous proponent of consumer interests within the Federal government?

Ms. KNAUER. As in the past, the Office has been called upon to make contributions, advice as it were, on legislative and regulatory initiatives. We are frequently asked to provide a written statement or to give testimony. We would simply continue to do that. That would be one of the main functions of the Office—to share whatever experience we have had in that area with the regulatory or legislative bodies that ask for our appearance.

I think that is going to be and always has been an important part of our initiative. But I do feel it very important that we give more attention to consumer education. This is what we are being asked to do by the national consumer organizations that have visited me, lately. They feel we have a whole new generation of consumers and there is a great need for cooperative activity, not only in the public sector but also in the private sector, to join hands and to reach out. There is a great deal of willingness, I think, on the part of the private sector, to help in this area.

Mrs. BOGGS. I think so too, Virginia. Because you have the responsibilities in safety, in aging, in health care and so on, the coordination of all those aspects of consumerism will be well-served. We know that in health care, the aged are often the most gullible in buying products, particularly in response to visual advertising. I did notice you are going to be doing more of that in the future.

Ms. KNAUER. Yes.

Mrs. BOGGS. Thank you.

EXECUTIVE ORDER 12160—ADDITIONAL DISCUSSION

Mr. BOLAND. When was Executive Order 12160 promulgated?

Mr. MARVIN. September 26, 1979.

Mr. BOLAND. It was directed at 42 agencies, and you have received final programs from 38 of these agencies?

Ms. KNAUER. As you remember, that Executive Order was President Carter's Executive Order based on the work that had been done by President Ford. I headed that effort in 1975 and 1976.

Executive Order 12160 was a continuation of what was a very innovative idea—putting consumer offices within the departments and agencies so that they received consumer input at the earliest possible point of decision-making.

Mr. BOLAND. That came about as a result of the demise of the Consumer Agency——

Ms. KNAUER. Yes, but the other consumer offices established in the previous Administration were still operational. They were never abolished. They were still there. President Ford set up plans in 17 departments and agencies, and then appealed to the independent regulatory agencies to do likewise.

The plans were operational by 1976 and some had started before that. The agencies carried out these responsibilities. I suppose, during the time when President Carter was seeking an independent consumer office.

When that failed, I was very pleased and it was complimentary that he took the alternative concept, because I think it is a very valid one and I think time will prove that continuation of this function, the so-called Consumer Affairs Council which has representatives from different departments and agencies, is a good instrument for consumers.

Mr. BOLAND. Thank you very much Mrs. Knauer, Mr. Cadwell, Mr. Marvin and Mr. Scully. We will place your budget justifications in the record at this point.

The Committee stands adjourned.

[The justifications follow:]

UNITED STATES OFFICE OF CONSUMER AFFAIRS

I. SUMMARY OF REVISED BUDGET REQUEST FOR FISCAL YEAR 1982

The staff of the United States Office of Consumer Affairs advocates consumer needs and viewpoints in the Federal government, fosters consideration of consumer interests by other government agencies, voluntary groups and business, and seeks to inform and educate individual citizens to deal more effectively in the marketplace and to learn of opportunities to participate in government decisionmaking. The Director of USOCA also traditionally has served as a Special Assistant to the President.

The budget proposed for USOCA activities in FY 1982 totals 43 full-time permanent positions, 11 less than FY 1981, and $2,000,000, a decrease of $332,000 from the anticipated FY 1981 appropriation level of $2,332,000. These changes are consistent with the new Administration's commitment to reduce total Federal staffing and spending.

The reduction in USOCA funds and staffing in 1982 would require (1) adoption of more efficient methods of accomplishing the objectives for USOCA as set forth in Executive Order 11583 of February 24, 1971 and Executive Order 12160 of September 26, 1979, (2) a reduction in emphasis or elimination of staff involvement in certain initiatives, most significantly staff intervention in public utility rate cases, and (3) a reduction in the amount of funds previously estimated for travel, printing and administrative support.

The revised request for FY 1982 includes an increase of $230,000 over the FY 1981 budget to cover additional charges for an increase in distribution of consumer publications by the GSA Consumer Information Center.

II. PROGRAM INITIATIVES

Principal program initiatives of USOCA in FY 1982 will be:

1. Monitoring and evaluation of consumer programs of 42 Federal agencies to insure compliance with agency plans as developed in accordance with the requirements of Executive Order 12160 of September 26, 1979;

2. Direct involvement by the USOCA staff in the Administration's interagency policy process through participation in ad hoc interagency task forces;

3. Filing of formal comments on proposed Federal agency rules and regulations;

4. Providing a consumer perspective in the Executive Branch process for review of new legislation;

5. Continuing consumer information efforts to inform government and business leaders, educators and individual citizens of emerging consumer issues as well as providing practical marketplace information;

6. Providing advice, coordination and support for consumer education programs;

7. Continuing outreach efforts to consumer groups with emphasis on the problems of the elderly, minorities, low income, disabled and rural consumers; and

8. Providing technical assistance to Federal agencies, business and non-Federal groups to improve the handling of consumer complaints.

III. MAJOR PROGRAM CHANGES

1. Implementation of Executive Order 12160 providing for consumer representation in Federal agency programs (page 6) will continue, subject to re-evaluation of specific ongoing projects.

2. Legislative/regulatory initiatives (page 7) will continue at approximately the same level in the historic USOCA programs of filing comments on proposed rulemaking procedures of Federal agencies and on recommending changes in pending bills. Participation in ad hoc interagency task forces will be more selective and limited to those areas where staff involvement would be essential to adequate representation of the consumer's interest. Intervention in formal public utility regulatory cases is being discontinued, as it is believed that function is more appropriately the responsibility of federal and state government agencies having the statutory authority and resources to insure equity to the consumer and the provider.

3. Information/education (page 10) will essentially remain the same, but the mix of programs will change to impact on a larger number of citizens at less total and unit cost. Total printing will be reduced from $68,000 to $39,000, primarily through consolidation of three publications into one. $20,000 of this amount will be reallocated so as to provide for contract assistance in enhancing audio/visual capability.

4. Improving the handling of consumer complaints (page 14) will be characterized by emphasis on technical advice to business and state and local leaders on ways to reduce costs and speed resolution of consumer

problems. In cooperation with House and Senate administrative personnel, the USOCA staff will continue to conduct training programs for congressional caseworkers and visit individual offices to give personalized assistance. Staff efforts in the Federal Executive Branch sector will stress monitoring and training rather than on-site evaluation. A proposed FY 1982 conference in Washington in complaint handling is being deleted from future plans.

IV. PROPOSED APPROPRIATION LANGUAGE

Office of Consumer Affairs

For necessary expenses of the Office of Consumer Affairs, including services authorized by 5 U.S.C. 3109 ($2,200,000) *$2,000,000 (Department of Housing and Urban Development - Independent Agencies Appropriation Act, 1981).*

V. SUMMARY OF FUNDING CHANGES ($ in Thousands)

	FY 1981		FY 1982		Change 1981/1982	
	Full Time Positions	Amount	Full Time Positions	Amount	Full Time Positions	Amount
Current request	54	2,332	54	2,649	--	317
Proposed change	--	--	-11	-649	-11	-649
Revised request	54	2,332	43	2,000	-11	-332

VI. EXPLANATION OF FUNDING CHANGES ($ in Thousands)

	FY 1981	FY 1982	Change
1. Personnel Compensation and benefits related to reduction of 11 positions This reduction is consistent with the Administration's intention to reduce total Federal government costs. The reduction will also necessitate increasing the vacancy rate from 7 positions in 1981 to 10 positions in 1982.	1,726	1,254	-472
2. Travel The reduction will be accomplished through elimination of travel of consumer leaders to attend workshops and meetings.	60	45	-15

		FY 1981	FY 1982	Change
3.	Rent for Office Space Provides for a reduction of USOCA office space by approximately 30%.	120	100	-20
4.	Communications, Utilities and Other Rents Provides for a reduction of $4,000 for telephone and telegraph services in line with the reduction in staffing, a $20,000 reduction in postal charges with fewer USOCA publications being distributed, and an increase in equipment rental of $10,000 to meet increased charges for labor-saving office equipment.	160	146	-14
5.	Printing and Reproduction Provides for a reduction of $15,000 by consolidating "Dear Consumer," Consumer Action Update and Consumer Buying Alert into a single publication, and a reduction of $14,000 in other printing charges.	68	39	-29
6.	GSA Publications Distribution Services An additional $230,000 is to cover an increase in the number of publications distributed from the Consumer Information Center facility at Pueblo, Colorado. GSA officials have advised that in the base period for computing billing (April 1, 1979 through March 31, 1980), 1,127,208 USOCA publications were distributed from the Pueblo facility. Approximately 68% or 769,055 were two publications -- Inflation Fighting Ideas and National Consumer Buying Alert. These two publications were prepared in cooperation with the Council on Wage and Price Stability and other Federal agencies as part of the Federal government-wide initiative of the Administration to curtail inflation.	122	352	+230
7.	Contractual Assistance The $20,000 in 1982 provides for technical assistance in producing and distributing 30 and 60 second radio	15	20	+5

	FY 1981	FY 1982	Change
public service announcements, a three to four minute radio consumer information series, and television slides and scripts on issues such as food, housing, transportation, health care, safety and special problems of the low-income, elderly and disabled. The $15,000 previously programmed for experts and consultants to aid in regulatory initiatives has been eliminated.			
8. Employee Training and Miscellaneous Administrative Charges	25	19	-6
9. Supplies and Materials The reduction is consistent with projected fewer employees.	27	20	-7
10. Equipment The reduction is consistent with projected fewer employees.	9	5	-4
	$2,332	$2,000	-$332

1. Implementation of Executive Order 12160

	FY 1980	FY 1981	FY 1982 Current Request	FY 1982 Revised Request
Funding	$175,661	$233,489	$250,182	$165,682
Staffing (Full-Time Equivalent)	5.51	6.50	6.68	5.18

Executive Order 12160 -- the Consumer's Executive Order -- is a directive to Federal agencies to institute consumer programs that are effective and responsive to the needs of consumers. This action is a logical progression from the Consumer Representation Plans of 17 Executive Branch departments and agencies promulgated in the Federal Register on September 28, 1976.

Executive Order 12160 requires agencies without consumer programs to establish such programs and those having programs for consumers to strengthen them. The Order also requires that consumer programs meet certain specific minimum standards, and it specifies that the staff of USOCA will assist in the implementation of the Order.

In FY 1980, the USOCA staff assisted 42 Federal agencies in setting up consumer programs which meet the requirements of Executive Order 12160. Thus far, 38 agencies have published final plans in the Federal Register.

In addition to the individual agency programs, there are other components of E.O. 12160 which are designed to improve the consumer function of government. For example, the USOCA staff worked with the Office of Personnel Management to develop a proposed career classification series for consumer affairs specialists. There were also projects on consumer education, complaint handling, training and Consumer Affairs Council membership, in addition to support services such as the holding of special meetings and distribution of information on consumer issues. Finally, the USOCA staff helped OMB to evaluate the consumer program budgets of each Federal agency falling under the Order and made recommendations in some cases for increases, decreases or other program changes.

In FY 1981, USOCA will review in detail the consumer program of each agency under the Order to determine whether the promises of FY 1980 have been transferred into concrete, substantive benefits to consumers. Also, the staff will strive to make the programs more effective or efficient by serving as a clearinghouse for successful and innovative ideas. In addition, several special projects will be undertaken. For example, the Consumer Affairs Council's Committee on Consumer Education will make recommendations for Council and USOCA action about major reforms in the way consumer information is compiled and distributed by the Federal government.

It is expected that in FY 1982 the full-time monitoring and evaluation of 42 Federal agency consumer programs will continue in order to assure compliance with the Executive Order.

2. Legislative/Regulatory Initiatives

			FY 1982	
	FY 1980	FY 1981	Current Request	Revised Request
Funding	$555,943	$662,703	$676,087	$366,572
Staffing (Full-Time Equivalent)	16.25	17.12	17.20	10.95

A. Ad Hoc Interagency Task Forces

USOCA has found that involvement in the Administration's internal policy development process produces significant benefit for American consumers. Of importance is USOCA's focus on the identification and representation of consumer interests in issues of concern to the Administration.

Among the task forces in which the USOCA staff participated during FY 1980 were:

-- A task force to develop Administration guidelines for the reform of telecommunications (telephone) regulation.

-- An interagency working group to improve the coordination and effectiveness of Federal involvement with automobile consumer problems.

-- An interagency task force to promote reform of Federal regulation of interstate trucking.

-- An interagency working group on Food and Agricultural Policy which coordinated all major agricultural policy issues.

In Fiscal Years 1981 and 1982 USOCA plans to continue participation in interagency policy formulation groups. The extent of involvement will be dictated by the consumer significance of the issues, the resources allocated to the office, and the priorities of the Administration and of the Director. In general, USOCA staff involvement will be more selective and limited to those areas where staff involvement would be essential to adequate representation of the consumer's interest.

B. Regulatory Proceedings

During FY 1980, USOCA filed 33 comments in Federal agency regulatory proceedings. This number of comments was comparable to that filed in FY 1979, and it was consistent with previously expressed intent to limit involvement to Federal agency proceedings where there was little or no other representation of the consumers' perspective or where consumer impact on the proposal was significant.

Among the rulemakings in which USOCA participated during FY 1980 were:

-- Civil Aeronautics Board - Oversales and Denied Boarding Rules; Application to Commuter Air Carriers and to Certificated Carriers Operating Small Aircraft.

-- Federal Reserve System - Revisions of Regulation Z: Truth-in-Lending simplification.

-- Federal Trade Commission - Medical participation in control of open-panel medical prepayment plans.

-- Interstate Commerce Commission - Issuance of rules regarding household goods movers pursuant to Public Law 96-454, the "Household Goods Transportation Act of 1980."

In Fiscal Years 1981 and 1982, USOCA will continue to identify and comment on emerging issues of consumer concern in Federal agency regulatory proceedings. Among the pending rulemaking activities that have been identified for USOCA involvement are:

-- Department of Agriculture - Regulatory treatment of reconstituted milk products.

-- Federal Trade Commission - Issuance of rules concerning state and private restrictions on the delivery of eye care goods and services.

-- Health Care Financing Administration - Consolidation of survey and certification requirements for Medicare and Medicaid.

-- Food and Drug Administration/Food Safety and Quality Service, USDA/ Federal Trade Commission - Comprehensive review of food labeling and determination of changes necessary to communicate significant health and economic information to consumers.

-- Food Safety and Quality Service - Changes in food grading designations to make them more uniform and meaningful to consumers.

C. Legislation

Throughout its years of existence, USOCA has been solicited regularly for its views on pending bills in the OMB legislative clearance process. In addition, the Office frequently receives direct requests from members of Congress for an opinion on current legislative proposals. In particular, during FY 1980 the Office:

-- Worked successfully in support of the enactment of a voluntary certification program for Medicare supplemental health insurance policies contained in the Social Security Disability Amendments Act of 1980.

-- Successfully explained the potential consumer harm from introduction of an amendment to patent reform legislation which would have delayed the introduction of lower cost generic drugs.

-- Submitted comments to the Office of Management and Budget on HUD's proposed "Home Mortgage Disclosure Amendments of 1980."

-- Coordinated Administration strategy on the Household Goods Transportation Act of 1980, Public Law 96-454.

-- Prepared and presented testimony or commentary on H.R. 4986, the Truth-in-Lending Simplification Act and H.R. 6928, the Cash Discount Act, the proposed retroactive modification of open-end credit account terms, and on Amendment to S. 2719 relating to state usury limits on the sale of new and used motor vehicles.

Given the nature of the congressional process, future USOCA activity relating to legislation will be generally responsive to emerging issues. However, USOCA plans to continue its involvement in the following issues which are likely to be addressed by the new Congress and Administration.

-- Automobile safety and repair

-- Reform of the Federal drug approval process

-- Food safety and information

-- Regulatory reform in general and in the transportation, banking and communications industries in particular

3. Information/Education

	FY 1980	FY 1981	FY 1982 Current Request	FY 1982 Revised Request
Funding	$403,214	$550,032	$793,174	$726,981
Staffing (Full-Time Equivalent)	9.20	10.51	9.99	9.99

Recognizing that it is essential for the public to be informed and educated in order to participate effectively in government decisionmaking and in the marketplace, in FY 1980 USOCA continued its program to provide information through the media, newsletters, publications and conferences, and to support and facilitate consumer education at the local, state and Federal levels.

To provide citizen, consumer, education and business groups with a single publication covering Federal consumer activities, including rulemaking, legislation, notices of meetings and new consumer publications and studies, USOCA published 19 issues of its eight-page newsletter, Consumer Action Update sent to approximately 6,500 subscribers.

USOCA also prepared a weekly news column on consumer topics, "Dear Consumer" which is distributed through the GSA Consumer Information Center to some 6,000 consumer writers and editors. Thirty-six columns were written and distributed during FY 1980 on such topics as food, health care, credit and cooperatives.

In other efforts in FY 1980 to consolidate information about various Federal programs and make it available to the public, USOCA:

-- Distributed approximately two million copies of the Consumer's Resource Handbook. The Handbook outlines basic consumer complaint-handling mechanisms, gives information and tips on major consumer issues, describes the consumer-related functions of Federal agencies, contains a directory of state and local government offices handling consumer matters, and describes business complaint-handling programs. The Handbook was developed, prepared, funded and distributed with the cooperation of 26 Federal departments and agencies.

-- Assisted the White House Office for Hispanic Affairs in the development and distribution of a bilingual publication, Consumer, Did You Know?, which gives information in Spanish and English similar to that contained in the Consumer's Resource Handbook. Spanish radio and television public service announcements were also produced with staff assistance.

-- In cooperation with numerous Federal departments and agencies, planned, developed and distributed two publications to assist consumers in

reducing costs for food, energy, housing and health care: People Power: What Communities Are Doing To Counter Inflation, a manual for consumers and neighborhood groups, and the National Consumer Buying Alert, a monthly publication for the media and consumers.

Adequate and effective consumer education in our schools and communities is the key to assuring that consumers are equipped to efficiently manage their resources, understand the economy and its impact on their daily decisions and participate knowledgeably as consumers/citizens in the processes of government. While the number of consumer education programs and policies have steadily increased over recent years, studies still indicate that there is a high level of consumer illiteracy and a need to improve consumer education in our schools and communities with commensurate teacher training. During FY 1980, the USOCA staff worked to provide leadership and coordination to meet this need. Specific activities included:

-- Coordinating the first National Consumer Education Week (NCEW) in cooperation with the Department of Education and Consumers Union. The purpose of the week was to highlight successful consumer education programs and focus public attention on the need for strengthened programs in the future. The staff worked with consumer leaders, educators, business, labor unions, government officials and the media in suggesting and planning activities for the week throughout the country.

-- Serving on the Liaison Board for the Joint Council on Economic Education's Consumer Economics Institute program to train teacher educators on how to include consumer economics in their programs.

-- Working with the American Council of Consumer Interests, made up of professionals from education, government, business and consumer organizations to inform members of activities at the national level and encourage a stronger role by the council in support of increased consumer education programs.

-- Giving numerous speeches and workshops to consumers, teachers and teacher educators on the scope and benefits of consumer education in such areas as regulation, legislation, citizen participation, financial management, the economy, credit and community and consumer resources.

In FY 1981 and FY 1982, education/information initiatives will include:

-- Special emphasis on recognizing and meeting the needs of groups such as the elderly, disabled and low-income.

-- Revision and updating of the Consumer's Resource Handbook.

-- Preparation of speeches, news releases and other media and public information activities in support of USOCA programs.

-- A second annual National Consumer Education Week. USOCA will seek a Presidential proclamation with appropriate activities.

-- Continuation of the USOCA newsletter, but with a new format including a "Dear Consumer" column and ways to cut costs in the basic necessities of food, housing, health care and transportation. This initiative will combine the information now found in three USOCA publications into a single publication.

-- Extensive media outreach and programming. This will take advantage of the enormous opportunity to reach large numbers of consumers using minimum resources. In addition to producing and distributing 30 and 60 second radio public service announcements, a three to four minute radio consumer information series, and television slides and scripts on issues such as food, housing, transportation, health care, safety and special problems of the low-income, elderly and disabled, attempts will be made to involve the USOCA Director and staff in cable, network and local radio and television programming.

-- Working with officials in other Federal agencies in analyzing and improving consumer information programs consistent with Executive Order 12160.

4. Outreach

	FY 1980	FY 1981	Current Request	Revised Request
Funding	$183,460	$250,721	$259,176	$173,998
Staffing (Full-Time Equivalent)	5.59	6.72	6.72	5.22

Providing opportunities for consumer leaders and individual citizens to become involved in Federal regulatory and policy making requires continual encouragement in the form of information programs aimed directly at these individuals, bringing them together in workshops to become more familiar with the techniques of participation, attending local meetings and giving presentations on consumer representation, and fostering a consideration of the unique needs of low-income and minority groups.

On July 9-11, 1980, USOCA co-sponsored a Low-Income Consumer Self-Help Conference which attracted over 800 community leaders, consumer advocates, educators, Federal, state and local government consumer officials. The

conference focused on ways to reduce costs in those sectors of the economy most affecting the basic human needs -- food, energy, housing and health care. Later in FY 1981 USOCA will again co-sponsor a national conference focusing on providing tools for effective citizen participation and techniques in consumer education to grassroots community leaders working with low-income,elderly and disabled consumers.

In FY 1980, USOCA personnel began work on a Directory of Consumer, Public Interest and Community Organizations and a Bibliography of State and Local Government Consumer Publications.

On January 29-30, 1981, USOCA co-sponsored a White House Conference on Aging Mini-Conference on the Elderly Consumer with the American Association of Retired Persons and the National Retired Teachers Association, The delegates identified specific consumer issues of importance to the elderly and formulated recommendations for addressing the issues at the 1981 White House Conference on Aging to be held in November.

With inflation being a pressing domestic problem, the disabled, low-income and elderly consumers living on fixed incomes especially need to learn ways to reduce costs in such areas as food, energy, housing and health care. In addition to working with community organizations in planning workshops, seminars and conferences around the country focusing on providing consumers with the necessary tools, USOCA will serve as a clearinghouse to inform consumers of successful projects.

Because programs benefiting disadvantaged consumers are scattered throughout government, many community and grassroots organizations are not aware of all services available to disadvantaged consumers. Working with the Consumer Affairs Council authorized under Executive Order 12160, the USOCA staff will compile information on Federal consumer programs serving the disadvantaged and distribute it to community and grassroots organizations.

Studies have shown that the elderly are less able to take advantage of package labeling information, rely to a great extent on media advertising, are more vulnerable to miracle "cure" schemes, are more easily influenced by ingratiating salespersons, and have poor self images about their competence as consumers. USOCA feels that the best form of consumer protection is knowledge. Therefore, USOCA publications and audio-visual messages will give information on issues that are of particular interest to and impact on elderly consumers. USOCA will participate in conferences sponsored by elderly organizations and address aging issues during conferences, seminars and workshops that the office sponsors.

5. Improving the Handling of Consumer Complaints

			FY 1982	
	FY 1980	FY 1981	Current Request	Revised Request
Funding	$264,744	$299,840	$322,083	$223,761
Staffing (Full-Time Equivalent)	8.91	9.43	9.69	7.69

Fiscal Year 1980 was an exemplary transition year during which USOCA became a coordinator of complaint activity as opposed to an office handling and referring individual complaints. This change is consistent with the recommendations included in a five-year study of complaint handling by TARP, Inc. Through the creation of the Federal Complaint Coordinating Center (FCCC), USOCA was successful in becoming a focal point perceived by consumers, Federal, state and local government officials, and representatives of voluntary agencies and businesses as a source of technical assistance to improve complaint handling systems. This transition was characterized by the following major activities.

-- In May 1980 a Constituent Resource Exposition was sponsored by USOCA in the Cannon Caucus Room. Thirty-five Federal agencies presented copies of publications to over 1,400 Congressional staffers listing the resources available from their respective agencies to aid consumers.

-- The USOCA staff prepared a Congressional Liaison Handbook which lists information for the Congressional staffer in working with a Federal agency to resolve a constituent's problem. Included in this handbook are names and phone numbers of Congressional liaison officials in every Federal agency, expected turn-around time on all referred correspondence, a publications contact and a list of the most popular publications. Over 5,000 copies of this handbook have been requested by Congressional staffers in Washington and in district offices.

-- On March 5-6, 1981, USOCA staff officers conducted complaint-handling training programs for House caseworkers. Attendance and interest was so great that another training session for House caseworkers is scheduled for April. A similar program for Senate caseworkers is also scheduled for April.

-- Realizing that successful training is also accomplished on an individual basis, staff members have made over 100 one-on-one visits to individual Congressional offices to give personalized assistance. During these visits current consumer resources are explained, specialized problems are addressed and the caseworker is left with a personal contact to offer assistance in the future.

-- Quarterly meetings have been conducted for Federal complaint officials on important issues pertinent to their responsibilities. Over 100 officials

have attended each technical session on topics such as the pros and cons of toll free 800 numbers, computerizing complaint systems and how to incorporate complaint data into policy.

-- Visits have been made to 21 Federal agencies to offer technical assistance in the development and implementation of effective consumer complaint systems. On each visit a team meets with key agency officials and offers frank advice on how to meet the standards set by USOCA pursuant to Executive Order 12160.

-- For complaint handlers at all levels, USOCA has sponsored a substantive issues training session on credit. With experts from FTC and the Federal Reserve Bank, the USOCA staff was able to provide concise technical information to more than 200 state, local and Congressional complaint handlers. Offices of each participant received more than 2,000 complaints per year.

-- For consumers, USOCA sponsored a consumer educator fair on the Mall, "You and the Federal Government: A Special Consumer Affair." Besides the over 3,000 consumers who were able to speak to agency representatives, receive consumer educational material and learn about all the resources their government has to offer, the event was covered by two major television networks, four radio stations and many local newspapers.

In FY 1981 and FY 1982, USOCA efforts will center on encouraging improvements in government and non-government complaint handling systems. Principal in these efforts will be:

-- Updating and distributing the Consumer's Resource Handbook and Congressional Liaison Handbook.

-- Repeating the successful Constituent Resource Exhibition and on-site staff visits to Congressional caseworkers.

-- Continuing quarterly meetings of Federal complaint-handling officials, sponsoring periodic meetings of central and regional government officials on substantive consumer complaint issues and, as necessary, visiting individual Federal complaint offices.

-- Distribution to state, local and voluntary consumer groups of a new Federal liaison publication listing Federal consumer contacts at the local level.

-- Distribution to media contacts of fact sheets on issues of importance to consumers in the area of complaints.

-- Working with business to form voluntary programs to improve consumer/customer satisfaction. Assistance to these businesses will be in the

form of workshops on cost benefit techniques, forums for exchange of ideas and meetings with key industry and trade associations to aid them in forming more industry-wide dispute resolution services.

Annual Information Requirement -- It is estimated that the annual information requirement imposed on the American public would not exceed a total of 500 hours for all respondents in FY 1982. This would be comparable to 460 burden hours authorized by OMB in 1981.

Consultant Services -- In meeting USOCA program objectives, expert/consultant type services would be needed in two areas:

-- Technical assistance to USOCA personnel in the development of radio public service announcements and other audio/visual materials. This would be performed primarily by contractors ($20,000).

-- Technical advice and assistance in outreach, information, education and other USOCA program activities by individuals appointed under personnel authority and paid on a daily basis ($15,000).

UNITED STATES OFFICE OF CONSUMER AFFAIRS
DETAIL OF FULL TIME PERMANENT POSITIONS

Office of the Director *

	FY 1980	FY 1981	FY 1982
SES			
Deputy Director	1	1	1
GS-15			
Deputy Director	--	1	1
GS-15			
Special Assistant to the Director	1	1	1
GS-14			
Counsellor to the Director	--	1	1
GS-13 and Below	5	4	4
Total Positions	7	8	8
Total Compensable Workyears	7.08	7.61	8.33
Personnel Compensation	176,890	186,871	227,804

Office of the General Counsel

	FY 1980	FY 1981	FY 1982
GS-15			
General Counsel	1	1	1
GS-14			
Assistant General Counsel	2	2	2
GS-13 and Below	9	9	5
Total Positions	12	12	8
Total Compensable Workyears	10.93	12.41	8
Personnel Compensation	305,876	392,263	193,804

Office of Management and Consumer Complaints

	FY 1980	FY 1981	FY 1982
GS-15			
Director	1	1	1
GS-14			
Consumer Affairs Officer	1	1	1
GS-13 and Below	9	10	7
Total Positions	11	12	9
Total Compensable Workyears	9.65	11.40	9.51
Personnel Compensation	244,936	288,328	232,392

Division of Consumer Information

	FY 1980	FY 1981	FY 1982
GS-15			
Director	1	1	1
GS-14			
Consumer Affairs Specialist	1	1	1
GS-14			
Writer-Editor	--	--	1
GS-13 and Below	5	6	4
Total Positions	7	8	7
Total Compensable Workyears	6.87	7.77	7.51
Personnel Compensation	191,845	218,138	173,416

Division of Consumer Programs

	FY 1980	FY 1981	FY 1982
SES			
Director	1	1	1
GS-15			
Chief Economist	1	--	--
GS-15			
Associate Director	3	3	3
GS-14			
Consumer Affairs Specialist	1	1	--
GS-13 and Below	4	6	4
Total Positions	10	11	8
Total Compensable Workyears	8.71	10.76	8
Personnel Compensation	218,767	267,738	197,904

Division of Consumer Organization

	FY 1980	FY 1981	FY 1982
GS-15			
Director	1	1	1
GS-14			
Consumer Affairs Specialist	--	1	1
GS-13 and Below	2	1	1
Total Positions	3	3	3
Total Compensable Workyears	3.07	3.38	3
Personnel Compensation	117,589	133,661	130,480

* Excludes Director who is on the White House payroll.

ANALYSIS OF FY 1982 FUNDING AND STAFFING CHANGES[1/]

	Current Request		Revised Request		Staff
	Dollars	Staff	Dollars	Staff	Difference
Executive Order 12160	250,182	6.68	165,682	5.18	-1.50
Legislative/Regulatory	676,087	17.20	366,572	10.95	-6.25
Education/Information	793,174[2/]	9.99	726,981[2/]	9.99	0.00
Outreach	259,176	6.72	173,998	5.22	-1.50
Consumer Complaints	322,083	9.69	223,761	7.69	-2.00
Administrative Matters	164,095	4.72	131,545	3.97	-0.75
Executive Direction	184,203	5.00	211,461	6.00	+1.00
	2,649,000	60.00	2,000,000	49.00	-11.00

1/ Staffing includes full time permanent and full time equivalent of other employees.

2/ Includes payments to GSA for Consumer Information Center publications distribution at Pueblo, Colorado.

STANDARD FORM 304
May 1969, Bureau of the Budget
Circular No. A-11, Revised.
304-103

UNITED STATES OFFICE OF CONSUMER AFFAIRS

OBJECT CLASSIFICATION (in thousands of dollars)

Identification code 75-0137-0-1-506	1980 actual	1981 estimate	1982 estimate
Personnel compensation:			
11.1 Permanent positions	1,200	1,423	1,059
11.3 Positions other than permanent	149	154	90
11.5 Other personnel compensation	7	7	7
11.8 Special personal services payments	[illegible]	10	
Total personnel compensation	1,356	1,594	1,156
Personnel benefits:			
12.1 Civilian	115	132	98
13.0 Benefits for former personnel			
21.0 Travel and transportation of persons	34	60	45
22.0 Transportation of things			
23.1 Standard Level User Charges	119	120	100
23.2 Comm. Utilities & Other Rents	55	160	146
24.0 Printing and reproduction	63	68	39
25.0 Other services	127	162	391
26.0 Supplies and materials	15	27	20
31.0 Equipment	5	9	5
32.0 Lands and structures			
33.0 Investments and loans			
41.0 Grants, subsidies, and contributions			
42.0 Insurance claims and indemnities			
43.0 Interest and dividends			
44.0 Refunds			
99.0 Total obligations	1,889	2,332	2,000

UNITED STATES OFFICE OF CONSUMER AFFAIRS

EXPLANATION OF ESTIMATE OF OBJECTS (DIRECT OBLIGATIONS)

11. Personnel Compensation $1,156,000. Provides $1,059,000 for 43 full time permanent positions, $90,000 for the equivalent of 6 other than full time permanent positions and $7,000 for overtime.

12. Personnel Benefits $98,000. Provides for contribution to the Civil Service Retirement Fund, Group Life Insurance, Health Benefits and Social Security payments.

21. Travel and Transportation $45,000. Provides for essential contact with business, consumer organizations, state and local government bodies and educators.

23.1 Standard Level User Charge $100,000. These funds are provided to the General Services Administration, pursuant to P.L. 92-313, to cover the cost of building space occupied by the USOCA staff.

23.2 Communications, Utilities and Other Rents $146,000. Covers comprehensive telephone and telegraph services ($40,000), postage ($78,000) and rental of office equipment ($28,000).

24. Printing and Reproduction $39,000. This amount will provide educational materials to reach consumer groups and individuals in keeping with minimum program requirements. Principal costs are a twice-monthly newsletter to media, education, government, business and consumer leaders ($25,000); reprint of Consumer's Resource Handbook ($2,000); press releases and speeches ($3,000); and miscellaneous printing and addressing costs ($9,000).

25. Other Services $391,000. Includes $352,000 for reimbursement to the General Services Administration Consumer Information Center to cover the USOCA share of publications distribution costs; $20,000 for contractual assistance in the development of radio public service announcements, television slides and a three-to-four minute radio series; office machine repair ($2,000); employee training ($5,000); work orders ($3,000); Public Health Service Unit charges ($2,000); and other miscellaneous administrative charges ($7,000).

26. Supplies and Materials $20,000. For necessary office and operating supplies (desk top supplies, envelopes, letterheads, etc.), and work materials such as periodicals and reference publications.

31. Equipment $5,000. For replacement of office furniture and equipment as required.

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

DEPARTMENTAL MANAGEMENT
UNITED STATES OFFICE OF CONSUMER AFFAIRS

Identification code 75-0137-0-1-506	1980 actual	1981 estimate	1982 estimate
Program by Activities:			
Direct program:			
Office of Consumer Affairs..	1,889	2,332	2,000
Reimbursable program:			
Office of Consumer Affairs..	11	1	2
10.00 Total obligations....	1,900	2,333	2,002
Financing:			
Offsetting collections from:			
11.00 Federal funds.....	-10	---	---
14.00 Non-Federal funds.....	-1	-1	-2
25.00 Unobligated balance lapsing....	15	---	---
Budget authority.....	1,904	2,332	2,000
Budget Authority:			
40.00 Appropriation.....	1,904	2,200	2,000
40.00 Reduction pursuant to Public Law 96-526.....	---	-44	---
44.20 Supplemental for civilian pay raise.....		176	
Relation of Obligations to Outlays:			
71.00 Obligations incurred, net.....	1,889	2,332	2,000
72.40 Obligated balance, start of year.....	131	93	103
74.40 Obligated balance, end of year.	-93	-103	-90
77.00 Adjustments in expired accounts.	+1	---	---
90.00 Outlays, excluding pay raise supplemental.....	1,928	2,151	2,008
91.20 Outlays from civilian pay raise supplemental.....	---	171	5

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

Department of Health and Human Services
Departmental Management
United States Office of Consumer Affairs
Personnel Summary

Identification code 75-0137-0-1-506	1980 actual	1981 estimate	1982 estimate
Total number of permanent positions...	50	54	43
Total compensable workyears:			
Full-time equivalent employment..	49	53	39
Full-time equivalent of overtime and holiday hours.....	.4	.4	.4
Average ES salary.....	47,889	50,113	50,113
Average GS grade.....	10.60	11.04	11.37
Average GS salary.....	26,580	29,763	30,352

STANDARD FORM 306
July 1968, Bureau of the Budget
Circular No. A-11, Revised.
306-102

UNITED STATES OFFICE OF CONSUMER AFFAIRS

DETAIL OF PERMANENT POSITIONS

75-0137-0-1-506	1980 actual	1981 estimate	1982 estimate
Grades and Ranges			
SES-1 $50,113	2	2	2
GS-15 $44,547 to $50,113	8	8	9
GS-14 $37,871 to $49,229	6	9	7
GS-13 $32,048 to $41,660	5	7	4
GS-12 $26,951 to $35,033	4	5	4
GS-11 $22,467 to $29,236	4	4	3
GS-10 $20,467 to $26,605	2	1	1
GS-09 $18,585 to $24,165	4	3	3
GS-08 $16,826 to $21,875	4	4	2
GS-07 $15,193 to $19,747	3	4	3
GS-06 $13,672 to $17,776	2	3	2
GS-05 $12,266 to $15,947	4	2	2
GS-04 $10,963 to $14,248	1	2	1
GS-03 $ 9,766 to $12,700	1	0	0
Total permanent positions	50	54	43
Unfilled positions, September 30	5	6	7
Total permanent employment, end of year	45	47	36

TUESDAY, APRIL 7, 1981.

NATIONAL CONSUMER COOPERATIVE BANK

WITNESSES

FRANK SOLLARS, CHAIRMAN OF THE BOARD
CAROL GREENWALD, PRESIDENT AND CHIEF EXECUTIVE OFFICER
WAYMAN PALMER, DIRECTOR OF SELF HELP DEVELOPMENT AND TECHNICAL ASSISTANCE
DWIGHT INK, VICE PRESIDENT FOR MANAGEMENT
KAREN SEVERN, BUDGET OFFICER
JOHN B. CHESSON, GENERAL COUNSEL

Appropriation	1979	1980	1981		1982	
			Carter	Reagan	Carter	Reagan
Salaries and expenses	$1,500,000	$7,395,000	$8,700,000	$8,700,000	$8,700,000	.....
Self-help development:						
Appropriation	1,000,000	10,500,000	26,190,000	26,190,000	27,000,000	.....
Rescission				−29,990,000	.....	.....
Limitation on loans			(41,108,000)	(6,700,000)	(32,860,000)	.....
Investment in National Consumer Cooperative Bank (Treasury)	1,000,000	49,050,000	87,220,000	87,220,000	100,000,000	.....
Rescission				(−59,849,284)	.....	.....
National Consumer Cooperative Bank Fund:						
Limitation on loans		(49,050,000)	(163,370,000)	(55,949,284)	(113,700,000)	.....
Limitation on commitments			(5,000,000)	.....	.....	.....
Total	3,500,000	66,945,000	122,110,000	32,270,716	135,700,000	.....
Permanent positions		109	204	170	324	.....
Average employment		66	188	158	285	.....

Mr. BOLAND. The Committee will come to order. We are delighted to have the National Consumer Cooperative Bank with us this morning.

You come before this Committee with magnificent credentials. As a resident of Massachusetts, I have been impressed with the high quality of your service, and as a public official, I have watched you develop a shining reputation in Washington and in the academic community. Both of these forums will attest to your unquestionable ability. That is just what you'll need to save the Co-op Bank; you are treading on thin ice—you are targeted for elimination in 1982.

We are delighted to welcome Frank Sollars, the Chairman of the Board. Frank, when did you come on board?

Mr. SOLLARS. I think I was actually appointed in May, maybe I attended my first board meeting in July of 1980.

Mr. BOLAND. John B. Chesson, General Counsel. How long have you been with the Bank?

Mr. CHESSON. From the beginning.

Mr. BOLAND. Were you here when we had the supplemental hearing in April for 1979 and 1980 appropriations?

Mr. CHESSON. Yes.

Mr. BOLAND. Have you met Mr. Coughlin from Pennsylvania and Mr. Sabo from the great State of Minnesota?

REVIEW OF APPROPRIATIONS

To date, the Congress has appropriated $192,555,000 for the National Consumer Cooperative Bank. The 1982 Carter budget requested $135,700,000 for the Bank in fiscal year 1982. The Reagan budget proposes a rescission of $89,839,284 in 1981, and has completely withdrawn the request for 1982.

The rescission message contained in House Document 97-28 (March 10, 1981) states that the rescission proposals to terminate the National Consumer Cooperative Bank are an integral part of President Reagan's plan to achieve budgetary restraint by reducing or eliminating lower-priority programs. The message further states that although there may be merit to its activities, funding the Bank is clearly a low priority compared to other Federal activities.

The Committee will be making some difficult decisions in the near future—not only regarding the Bank, but many other rather substantial Reagan budget proposals.

Frank, you are from Ohio, a nice Republican State. That should fare well with the powers that be. We will insert your biographical sketch in the record at this point, and will be glad to hear your statement now.

[The biographical sketch follows:]

FRANK SOLLARS

Frank Sollars is an Ohio farmer who lives near Washington Courthouse, Ohio. He is Chairman of the Board of Nationwide Mutual Casualty and a member of the Board of Nationwide Corporation. He is Chairman of the Board of Fayette County Bank and of Sollars Brothers Corporation, a farm equipment firm. He has served as President of the Ohio Soil and Water Conservation Districts and the Ohio Farm Bureau. He is a past member of the Board of the American Farm Bureau Federation.

OPENING STATEMENT

Mr. SOLLARS. As Chairman of the Board of the National Consumer Cooperative Bank, and the Board's small business representative, I want to thank you for this opportunity to add my voice to the mounting chorus of support for the National Consumer Cooperative Bank.

As a farmer, businessman and Republican, my belief in the Co-op Bank comes from my personal experience with cooperatives and my conviction that they are consistent with the country's desire for more efficient and decentralized government.

The Co-op Bank personifies the self-reliance and self-sufficiency ideals which have made our Nation what it is today.

The Co-op Bank is not a government agency operating some kind of give-away program—it is, instead, just what Congress wanted it

to be: a bank with a mandate to raise funds privately without government guarantees; and a bank that will repay the Federal government's investment in it with interest.

As you are well aware, the Co-op Bank is modeled after the highly successful Bank for Farm Cooperatives which repaid the Federal government in full in 1968.

Just like the Bank for Farm Cooperatives, the Co-op Bank gives its clients the ability to stand on their own. It does this by encouraging self-reliance rather than government dependence.

As Chairman of the Board of the National Consumer Cooperative Bank, I am happy to report that the Bank is working. The Bank's success in its initial operating year already exceeds the goals set by those who advocated its creation. No one anticipated a loan demand of over $300 million, yet it exists. No one thought the Bank would be able to finance all its salaries and expenses after only two years of operation—a year earlier than expected. Yet, this will be possible as well.

I'm so familiar with the original goals of the Co-op Bank because I was able to participate in the original conception of the program as a board member of the Cooperative League of the USA. I joined with representatives of farm cooperatives in rural electric, credit, marketing and supply, and other areas where cooperatives have succeeded because of programs like the Co-op Bank. Their cooperatives provided an alternative to direct government action or government regulation for rural and farm residents. The National Consumer Cooperative Bank is doing the same thing for urban and nonfarm people.

I would now like to introduce Carol Greenwald, the President of the National Consumer Cooperative Bank.

Mr. BOLAND. We will be delighted to hear your testimony, Madam President.

Ms. GREENWALD. I am delighted to be here. I missed the meeting last year, but I want to give you a progress report of what the Bank has done over the last year.

I have a written statement and ask that you put it in the record.

[The statement follows:]

STATEMENT OF CAROL GREENWALD

PRESIDENT OF THE NATIONAL CONSUMER COOPERATIVE BANK

Mr. Chairman, Members of the Subcommittee, I appreciate the opportunity to be here today to discuss the Fiscal Year 1982 appropriations request for the Bank and the Office of Self-Help Development and Technical Assistance. Accompanying me are Frank Sollars, Chairman of the Bank's Board, Wayman Palmer, Director of the Self Help Development Fund, and Dwight Ink, Vice President for Management and Administration.

As you know, the National Consumer Cooperative Bank Act was signed into law on August 20, 1978. The Administration's appointees to the Board of Directors were not sworn in until September, 1979, and the Bank did not formally open until March 21, 1980. Thus, the Co-op Bank has been operational for just one year. In that brief time, however, it has achieved an enviable record of executing the Congressional mandate outlined in its authorizing legislation.

By March 20, the Bank had received more than $350 million in loan requests. In Title I $97 million in loans have thus far been approved, and in Title II, $13.5 million. As you know, Title I refers to the Bank Fund, which makes loans at the prevailing market rates to credit-worthy co-ops. Title II of the Bank's enabling legislation created the Self-Help Development Fund, which lends at somewhat lower rates to co-ops that are new, serve low-income members, or cannot otherwise meet Title I's standard of creditworthiness.

These figures far exceed the most optimistic projections during consideration of the original legislation.* The number and diversity of requests for for credit and technical assistance have proven that there is national demand for a new development bank specializing in financing consumer-owned cooperative businesses and housing developments. The Co-op Bank's loan portfolio certainly compares favorably with that reached by commercial banks within any initial operating year.

The number of loans in the portfolio is about evenly divided between commercial and housing loans. However, because of the more capital intensive nature of housing, roughly two-thirds of loan dollars are to housing. This initial imbalance towards housing results from the extent of existing housing demand, the relatively longer time it takes to assemble new commercial development projects, and the need for stable long-term loans to provide the income for the Bank's shift from dependence on tax revenues for salary and expense funds. This predominance of housing loans was anticipated by the Congress when it deferred a cap on the level of housing activity to October 1, 1983.

Much of the economic and social promise in which sponsors of the Bank believed has begun to be realized. The Bank has prevented displacement of over 5,000 low and middle income tenants who otherwise would be forced out by rising rents and condominium conversions.

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*See testimony of Cooperative League of the USA, National Consumer Cooperative Bank hearing, January 25, 1978.

All of NCCB's housing activities serve to:

a. prevent the displacement of existing residents through loans to tenant associations ranging from $500,000 to $10 million to purchase and rehabilitate multi-family structures for conversion to cooperative ownership;

b. provide relocation housing for those persons facing involuntary displacement from their present dwellings;

c. increase local supplies of lower- and moderate-priced housing in areas undergoing revitalization.

d. rehabilitate structures, reduce energy costs and pay for other operating expenses of existing cooperatives which have generally not been able to find lenders to provide loans for energy conservation, even though such loans greatly reduce operating costs.

None of these areas is adequately served by existing public or private lenders.

In addition to housing, Co-op Bank loans have helped protect small businesses and provide essential goods and services to neighborhood residents in commercial districts abandoned by large chain-store operations. For example, a loan made to a food co-op in New Haven, Connecticut, helped rejuvenate the entire neighborhood. A new food co-op in Schenectady, New York will draw commercial traffic into a downtown area abandoned by a supermarket precisely because small business owners in the area spearheaded a successful campaign of support for a new co-op. Repeatedly, co-ops have proven that they are willing to make investments in areas traditional businesses say are too risky.

Co-ops have also helped to improve the quality and lower the price of goods and services. The NCCB has lent to the health care co-ops which emphasize preventive care and de-emphasize expensive hospital stays where they are avoidable and to cooperatives like the Fresno Family Day Care Center and the Reston Day Care Cooperative which lower the cost of child care, while giving parents, through an elected Board of Directors, a say in the kind of care their children receive.

As to the type of co-op using the Bank's services, we have found that demand for loans closely tracks those areas comprising the basic necessities of life. The largest demand to date is from housing co-ops, followed by consumer services, food and employee-owned co-ops.

While co-ops are run by and for people of all income brackets, Congress directed the Bank to concentrate a significant portion of its efforts on co-ops serving low-income people. In times of inflation and recession, there is no question that the greatest burden falls on those who are poor or who live on fixed incomes. Recognizing this, Congress instructed the National Consumer Cooperative Bank to work diligently with consumer cooperatives serving low-income individuals who are most tragically affected by adverse economic conditions. For this reason, Congress established the Office of Self Help Development and Technical Assistance, to respond to the needs of newly-formed co-ops or those serving low-income citizens. Under the law, the Co-op Bank must use "best efforts" to make at least 35 percent of its loans to co-ops run by or for low-income people. As of March 20, 49 percent of the Bank's loans go to such co-ops.

Despite a late operating start due to the absence of a Presidentially-appointed Director until October, 1980, the Office of Self Help Development and Technical Assistance has approved loans totalling $13.5 million.

Twenty-three of the capital advances will assist in expanding or preserving the supply of housing available to lower and moderate income persons in communities where the supply of affordable housing is critical. Almost all were community or tenant initiated to help in preventing the displacement of low and moderate income families from areas being revitalized or where rents and housing prices are rapidly inflating.

As encouraging as these numbers are, they do not tell the entire story of how the Co-op Bank is working to address the needs of low-income cooperatives or newly-emerging cooperatives. Experience has shown that along with access to credit, a co-op must have managerial, financial and operating expertise. Technical assistance of this type acts as insurance that the Bank's funds will be used in accordance with the soundest business skills and practices available. For example, approximately half of NCCB housing technical assistance requests are initiated by residents who are faced with displacement. They apply to the Bank for assistance in forming a cooperative and for professional services, such as legal counsel in negotiating with the owner or architectural studies to estimate the cost of rehabilitation.

To increase the efficiency of technical assistance delivery and minimize costs, the Bank is providing business and management training to all types of co-ops both in-house and through a series of training sessions conducted around the country by experts in the field who already possess the needed skills by virtue of their own hands on experience. Courses include Retail Management for Food Cooperatives, Housing/Co-op Conversion, Business Skills Development, and others. To minimize the budgetary impact of these sessions, the NCCB located them throughout the country where cooperatives exist and instituted a fee policy that requires substantial reimbursement for NCCB services.

The Bank's commitment to minimizing costs and increasing efficiency is also demonstrated through its regional operations.

During the past twelve months, since we last appeared before this Subcommittee, eight regional offices have been opened and staffed in strategic geographical locations throughout the country to better serve the Bank's constituents, and conduct our banking service, as was repeatedly recommended during the Bank's public comment hearings on our initial set of policies. The Bank is, of course, a national bank and these offices allow us to decentralize the delivery of such banking services as loan assessments, loan servicing and technical assistance. While productivity and constituent service are greatly increased, the cost of opening the Bank's regional system is no more; than operating the Bank solely from Washington.

Regional offices result in:

- o greater accessibility for cooperatives. This is particularly beneficial to small and low-income cooperatives with strained financial resources;
- o greater awareness of local market conditions and the impact of those conditions on cooperatives;
- o increased employee productivity since less time is spent travelling and more time is spent on the actual duties of the field representative which include conducting required small business impact assessments, management evaluations, low-income determinations and other requirements consistent with ensuring compliance with the provisions of the Act and sound banking practices;
- o sound loan servcing which requires and requests visits to borrowers.

With this brief review of the Bank's status and accomplishments, we would like to address the equivocal position in which we find ourselves today.

On the one hand, we have been included in a budget recommendation by the previous Administration which would increase our FY 82 appropriations by $135.7 million. Of that amount, $100 million was for Bank capitalization in our market interest rate loan activity. An additional $27 million was provided for the Self-Help Development Fund and Technical Assistance Department which we feel is so crucial to the Bank's mission. The remainder $8.7 million, was allocated for salaries and expenses.

It was hoped that this modest request would allow the Bank to achieve a number of goals during the coming fiscal year. Foremost, was our desire to achieve self-sufficiency so that by Fiscal Year 1983, there would be no need to request funds for salaries and expenses.

On the other hand, we could not foresee the present situation, which places the Bank in jeopardy with regard to either of these goals. As you know, the current Administration's budget recommendations have removed all funding for the National Consumer Cooperative Bank.

We understand the present economic concerns which have brought about this recommendation. We understand the desire to balance the budget. The Co-op Bank does not consider itself immune from the sacrifice many groups must make to achieve economic recovery.

The Bank will continue to exercise the mandate given to it by the Congress, until Congress has made a decision with respect to the future of the Bank.

Co-ops give Americans a stake in the marketplace and a vision of how the free enterprise system can work. The Co-op Bank structure could be a model

of how government in the 1980s can assist growth in the private market economy, through a responsible, initial infusion of funds and then a reliance on the momentum generated by entrepreneurs to achieve self-sufficiency.

I appreciate the opportunity to meet with you today and to present our annual report. I will be happy to respond to any questions the Members might have in this regard.

Ms. GREENWALD. The Bank has actually surpassed the goals of its most fervent admirers. We have received by the end of March of this year, over $400 million worth of applications, putting to rest any question about whether or not the Bank's services are needed. We have made diverse loans in 30 States across this country.

We are a major lender for co-op housing. For the older, established co-ops in cities like New York, Chicago and Washington, D.C., we provide financing for needed energy retrofits. We are also a major lender in many cities to tenants facing condominium conversion and tenant displacement. Tenants across the country are coming to know that they don't need to be displaced. They can pool their resources and buy the building. We provide technical assistance to the boards of these groups. We give them training and planning and financial help and we make the mortgage loan, as well as the rehab loan. In just one year of operation, we have prevented the displacement of about 5,000 tenants in this country.

In New York City, it amazes me to say—and I heard Mayor Koch say it—the Co-op Bank is already the major lending institution for urban homesteading matters. Urban homesteading occurs when the city turns city property in foreclosure over to groups to live in as urban homesteaders and to make it livable through major rehabilitation. We need this large housing loan portfolio to have a stable loan base, so the Bank can become self-supporting. We are very much on the way to self-sufficiency.

We have also made a number of loans on commercial ventures across the country. We are the lender helping neighborhood groups set up food stores, from West Oakland to Atlanta. In Minnesota, there was an elderly group with no access to a supermarket. We have financed, with the neighborhood residents, the opening of a food store in St. Paul. That's an example of the many things we are doing.

We are also a major lender to the established co-ops for energy efficiency. They are putting doors on their freezers. There is modernization of their check-out counters, so they can continue to compete.

We have set up a pharmacy in San Antonio, primarily serving the elderly. It is a generic pharmacy.

We have provided inventory financing for a recreational equipment store on the West Coast. We have had a diverse demand for our funds and we have tried to meet that demand.

Also, in the last year, we have opened up eight regional offices. So, we are able to service the loans and do adequate management for the loans on the books.

We have an enviable record in having no delinquencies. We have virtually no problem loans and we want to keep that record by having the capability of doing the right kind of servicing.

GENERAL ACCOUNTING OFFICE AUDIT

We have already had our first audit by GAO and I would like to put in the record, the clean opinion audit we received from GAO.

I understand it is a very high compliment from the GAO to receive an audit which had no criticism whatsoever and recommended no changes in the operating procedures of the Bank.

We took our time in getting our loans out, because we wanted to have in place prudent loan procedures, have the right kind of loan servicing.

I think the statement from the GAO in which they found nothing to criticize concerning our financial system and financial statement attests to the fact we were acting prudently in this initial year.

[The information report follows:]

C Chron, Rm. 6118

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-200951

To the President of the Senate and the
Speaker of the House of Representatives

The National Consumer Cooperative Bank was established as a mixed-ownership Government corporation on September 24, 1979, pursuant to the National Consumer Cooperative Bank Act of August 20, 1978. The Bank is authorized to make or guarantee loans and to provide financially related services and technical assistance to qualified cooperatives throughout the United States. The Bank granted 15 loans amounting to $5,126,226 during fiscal 1980.

The enclosed report transmits to the Bank's Board of Directors our opinion on the Bank's financial statements for its first full year of operations ending September 30, 1980. Our audit was made in accordance with the provisions of the Government Corporation Control Act (31 U.S.C. 841 et seq.) and the National Consumer Cooperative Bank Act (12 U.S.C. 3001 et seq.), which require the U.S. General Accounting Office to audit the Bank's financial operations each year.

We are sending copies of this report to the Director, Office of Management and Budget and to the Chairman, House Committee on Banking, Finance and Urban Affairs.

(signed) D. L. Scantlebury

D. L. Scantlebury
For Acting Comptroller General
of the United States

Enclosure

bc: Mr. Campbell, AFMD
Mr. Points, AFMD
Mr. Duquette, AFMD
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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

March 13, 1981

B-200951

To the Board of Directors
National Consumer Cooperative Bank

We have examined the balance sheet of the National Consumer Cooperative Bank as of September 30, 1980, and the related statements of income, changes in equity, and changes in financial position for the year then ended. This was the Bank's first full year of operation. Our examination was made pursuant to the National Consumer Cooperative Bank Act (12 U.S.C. 3001-3050) and the Government Corporation Control Act (31 U.S.C. 841-869) and in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of the National Consumer Cooperative Bank as of September 30, 1980, and the results of its operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles.

D. L. Scantlebury
For Acting Comptroller General
of the United States

AFMD-81-45

FIRST ANNUAL MEETING

On the basis of the $90-some-odd million of loans that the Bank has already committed and approved, we sold over $5 million worth of stock in the Bank.

The Bank is meant to be a mixed-ownership corporation. By buying stock, co-op borrowers get to elect board members.

Our first annual meeting will be June 21 of this year and we will be electing the first three private board members to the board of the Bank.

I think you will agree, we met in a much more rapid fashion than expected, the goals set by Congress. We now find ourselves, as you have alluded, in an anomalous situation.

We have the kind of program which could be a model for government lending programs. We are loaning at market rates of interest. We proved there is a demand for our services and we are bringing into the economic stream, a variety of groups that have needs to be met. We think we are doing that and doing so in a market test way.

Thank you very much.

Mr. BOLAND. Thank you. Your record is excellent. The fact your financial statements were found in order by the GAO is significant: that doesn't ordinarily happen, particularly with a Federal agency that has been in existence for the short period of time that the Bank has been in existence.

HOUSING COOPERATIVES

Housing cooperatives seem to be the one area of activity where the Bank has been particularly active. Most of the mail I have received in support of the National Consumer Cooperative Bank comes from housing cooperatives, rather than day-care cooperatives or other types of cooperatives in which the Bank is involved.

Last year, we understood that there were 2,500 housing cooperatives throughout the United States. How may more are there today, as a result of the Bank?

What would you estimate the universe for all cooperatives to be—10,000 or 15,000?

Ms. GREENWALD. I don't know how many there are. One of the things the Bank has not done in its first year is act like a government agency and collect data on the type of cooperatives.

We have treated ourselves as a Bank and have made loans. I can tell you that we have worked in creating through tenant associations, at least 30 new cooperatives which involve over 5,000 tenants in this last year.

We also are sitting on over $200 million worth of applications for housing co-ops in the Bank right now, loans not processed.

Mr. BOLAND. There is no question in my mind that the Bank's greatest activity has occurred in housing co-ops.

Ms. GREENWALD. It has been, but the number of loans is equal in housing and non-housing. But given that we are dealing only with multi-family housing. Every loan to a housing co-op is at least a $1,000,000 loan. Whereas, when we deal with commercial co-ops, it is much smaller amounts. However, in dollar figures, you are right. The amount is heavily into the housing costs.

Mr. BOLAND. How much must an individual tenant contribute to join a cooperative? How can a very poor family become part of a cooperative?

Ms. GREENWALD. They own the building in which they live. There are two kinds of examples.

First, the building they live in goes on the market. They buy it at a market price, but don't put in a lot of the amenities, so the actual price of the unit is less than it would be if it went on the market.

Then there is what is called the limited equity requirement. The down payment is lower, often only as little as $1,000. The down payment is low and they pay the remainder over a period of time.

The other type is urban homesteading. These are properties that are abandoned and the city is turning them over at low prices if people will come and live in them and put in what we call "sweat labor equity."

They put in the labor and we lend money for the material.

Mr. BOLAND. How many housing cooperatives have come into being over the last few years since the creation of the Bank? How many have failed?

Ms. GREENWALD. None have failed.

Mr. BOLAND. That's a pretty good record, isn't it?

Ms. GREENWALD. I think so.

Mr. BOLAND. You are providing the safety net there, aren't you?

TECHNICAL ASSISTANCE

Ms. GREENWALD. Yes, sir, and we are providing it with the technical assistance. That is an integral part of what we are doing.

We do have a technical assistance program. We provide conferences around the country.

I would like to add for the record that the schedule of conferences we are providing this spring around the country will tell people how to manage co-ops. We have board training programs for the boards of these co-ops, so they know how to run a cooperative. We also run business training programs for the co-ops.

Mr. BOLAND. The following sentence occurs on page seven of your statement:

> The Co-op Bank does not consider itself immune from the sacrifice many groups must make to achieve economic recovery.

That is Republican rhetoric.

Ms. GREENWALD. We have a Republican chairman.

BANK PROPOSALS

Mr. BOLAND. What does that sentence mean?

Everyone has to make a sacrifice. You understand, perhaps better than most people, that the biggest task we face is to reduce inflation—if we don't conquer it, we are in for tough years down the road.

What sacrifice does the Bank propose to make, to share in this effort?

Ms. GREENWALD. There is no one magic number that I can say, that if you do this, this will mean the Bank will continue to meet the goals of Congress.

What I can say is, when you cut the Bank's capitalization, you will change the program of the bank.

We now have a $77 million capitalization with this limited funding, we are not the program the Congress passed.

We can not run a national program. We can not make loans across the country. We will make larger and larger loans, because the servicing costs on a small loan is the same as that on a large loan.

So, in order to become self-sufficient, we have to make the larger loans. When you move the capitalization up to $200 million, the Bank can redesign its program so that it can be self-sufficient, cover its own salaries and expenses, do a significant amount of commercial lending to a number of these co-ops—

Mr. BOLAND. Is there a chance of you becoming self-sufficient in the next year or two?

Ms. GREENWALD. With $200 million of capitalization, we could cover our own salaries and expenses. We wouldn't need to come back to the Congress for additional salaries and expenses money.

If you wanted to recognize that we would be a certain type of program, a little less innovative, yes, the Bank could run on $200 million of capitalization, and then go into the capital markets to borrow.

The Act said that the Bank was supposed to be able to borrow ten times its capitalization. That is not realistic.

You could borrow, maybe with a good track record, five times your capitalization.

I think if we had a $200 million capitalization, the Bank could cover its own salaries and expenses.

ADMINISTRATION PROPOSALS

Mr. BOLAND. The Reagan budget proposes to rescind nearly $90 million of the 1981 appropriations. That would leave the Bank with some $80 million outstanding in both loan funds.

Is that correct? How much in each loan program?

Ms. GREENWALD. $77 million in Title I and $7 million in Title II.

Mr. BOLAND. What would happen to those outstanding funds if the rescission proposals were approved?

Ms. GREENWALD. The President has proposed that not only the Bank's funds be rescinded, but the Bank's loan authority be capped at $55 million and that the Bank's charter be revoked and the outstanding loans be turned over to Treasury for collection and liquidation.

CURRENT STATUS OF THE BANK

Mr. BOLAND. What is the Bank currently doing about loan applications, loan processing and loan approvals?

Ms. GREENWALD. The bank is processing loans, taking loan applications—

Mr. BOLAND. I thought OMB told you not to do that.

I have a fact sheet which lists OMB restrictions on the Bank. Apparently, you are not paying much attention to those restrictions.

Ms. GREENWALD. OMB gave me and the past Chairman of the Board, Mr. Connell, instructions that we were to close down the Bank. We, then, as appropriate for a mixed-ownership corporation, consulted our counsel.

We held a special meeting of the board. Outside counsel advised us not to follow those instructions. If we were to observe those instructions that our Board of Directors' liability insurance wouldn't hold. The law says the Bank was created by Congress and only Congress can close the Bank down. Until you, sir, tell us to do that, we are under a legal mandate to make loans.

Mr. BOLAND. I understand then, that legislation is required to close down the Bank?

Mr. SOLLARS. That's right.

Mr. BOLAND. What is the Bank's legal obligation to its shareholders?

Ms. GREENWALD. Our minority shareholders have the same rights under law as any other stockholder. The outside legal counsel used the analogy of the case where the majority stockholders are telling the board to work against the interest of the minority stockholders. The law is clear. You cannot do that. You have no defense; you have to act as the law requires.

COSTS OF BANK TERMINATION

Mr. BOLAND. Why didn't the Administration propose to rescind money account, as long as it proposed to rescind the $90 million?

Ms. GREENWALD. There was a recognition if you are to close down the Bank, it would be an expensive operation. They said we would need all the salaries and expense money to undo all the contracts we have signed, to work out of the loans we have worked into. We would have a lot of legal fees. We expect a lot of lawsuits.

MINIMUM FUNDING LEVEL

Mr. BOLAND. In almost every operation there is a minimum funding level, below which you do not have a critical mass. In this case, the Bank could not be self-sufficient or effective if it were funded below a certain level.

What is the minimum level of Treasury capitalization required to make the Bank self-sustaining? You said about $200 million—is that correct?

Ms. GREENWALD. I think that is the minimum level. I am not just pulling that number out of a hat.

Mr. BOLAND. How did you arrive at that figure?

Ms. GREENWALD. We are talking about a national bank that can make loans anywhere in this country. If you look at the commercial banking system, there are no banks at under a billion dollars in size which can do that. I have checked with the Comptroller of the Currency's Office and we have had computer runs done. In order to make loans nationally, you have to be able to service them nationally. For a number of years we will not be able to do more than a five-to-one leveraging of the Bank's funds. I have been to a number of Wall Street firms. All were willing to do a bond offering for the Bank at something less than a one-to-one ratio. They agree it would be many years before they would let us go to a five-to-one

ratio. You need that base to grow into a large institution to run a national institution.

Mr. BOLAND. The fact sheet developed by the Bank states:

> If the Bank is permitted to expend the funds which the Congress has appropriated for fiscal year 1981, in all likelihood it could "go private" and manage to survive even absent appropriations in any future years. Without the fiscal year 1981 appropriations, however, the Bank's future is much more uncertain and the chances of its attaining the goals established by the Congress are greatly reduced.

Why have you changed your position? The Bank has roughly $175 million appropriated to date in both loan programs.

How do you reconcile that statement in the "Fact Sheet" with the minimum funding level you mentioned a few moments ago? Can you operate at that level?

Ms. GREENWALD. We can operate at many levels, but what I am also saying is that you operate different programs at different levels. At $137 million we will draw back from many regions of the country, because we cannot make loans. I would say at $137 million it is unclear that we will ever pay a dividend on the Treasury stock purchase. The Act says that until 1990 we should pay up to 25 percent of our net income for dividends on class A stock. We will not have any net income to pay a dividend, which will necessarily inhibit our ability to go into the capital markets.

It is a different kind of operation. At $200 million, we will be self-sufficient in salaries and expenses next year; we will continue to operate a national program next year, and we will have enough—as you used the phrase—"critical mass" to be a believable national bank. No one will believe a bank with $77 million can run a national program. There is not one in the country, not one.

SELF-HELP DEVELOPMENT FUND

Mr. BOLAND. Let's focus on the Self-Help Development Fund. What would be the minimum level for that fund?

Ms. GREENWALD. I would like to answer that and then ask Mr. Palmer to comment.

I believe a $36 million fund could be a revolving fund. It too would never need to come back to Congress. It would have a sufficient critical mass. It does not have them now, but it should have a critical mass. As you know, none of the salaries and expenses of the Fund can be paid by the Fund. That fund is now running about eight percent interest income. That really should be enough to offset projected or expected loan losses. So if you can see clear to giving the fund back its rescission money, I think you too would have a program you would be proud of for many years with a $36 million fund.

Mr. BOLAND. Do you want to expand on that?

Mr. PALMER. I do not have anything further to offer on that.

Mr. BOLAND. Could the Bank run without the Self-Help Development Fund?

Ms. GREENWALD. Yes.

Mr. BOLAND. I recognize that the problem here is that less creditworthy cooperatives would not be assisted.

Ms. GREENWALD. Let me just answer that the Congress mandated that the Bank make a best-faith effort to make 35 percent of its loans to low income persons; 50 percent of the loans are to such

persons. Part of the reason is that we work very closely with Title II on some of these housing loans that you refer to. The Bank comes in with the mortage financing and Title II comes in with a part of financing on what is called a graduated mortgage. We come in at the market rate, they come in at a lower rate; that increases over usually an eight year period. Because they come in lower at the beginning, people can afford this housing.

So in eight years or so, the fund is out of the loan and the Bank is in it at a market rate. But we have made housing affordable to low-income people. The Bank will not be able to do that without Title II.

CONGRESSIONAL HISTORY

Mr. BOLAND. I don't have to tell you or anybody else who is associated with this Bank, that its authorization was passed by one vote in 1978. I voted for it and I support it, but I am also a realist. The Congress was a little bit different then than it is today. I would think if we tried to create the Bank today it probably would never happen. So, in these austere times, what we are trying to do is find out how you can operate the Bank at a minimum level. Instead of a $36 million funding level for the Self-Help Development Fund, what about $20 million? Can you operate it with $20 million, instead of $36 million?

Ms. GREENWALD. So the fund would be at $20 million, is that what you are saying?

Mr. BOLAND. Yes.

Ms. GREENWALD. The fund has $13 million of commitments outstanding. It would have to refocus its program. Everyone thinks the less money you give a program, the smaller the loans. Actually it is different, the larger the loans. So, yes, it will operate, but I think you recognize, every time you cut it, you change the nature of the program.

Mr. BOLAND. Congress has appropriated about $137 million for Bank loans. That includes the amount (nearly $60 million) proposed for rescission in 1981. You indicated the need for $200 million in capitalization to be able to be self-sustaining. That means you need an additional $63 million for the Bank.

Is that correct?

Ms. GREENWALD. Yes, sir.

Mr. BOLAND. Now the Bank loans are hard loans at market rates and are repaid. Capitalization funds that are repaid might get by on the floor. I think it would be much harder to argue for soft loan funds that are not repaid.

That is why I asked if you would be able to operate the Self-Help Development Fund with $20 million, rather than $36 million.

Ms. GREENWALD. The Bank is not like a grant program—it is not a giveaway program, even in Title II. Those loans are largely collateralized. It is not like you have to come back to Congress every year and say they need another $10 million. If you give them enough money; that program is also self-sufficient in the sense that the Bank is willing to pick up the salaries for the Fund because we do so much of our financing jointly. The Fund would have a revolving fund which would exist in perpetuity.

Mr. BOLAND. Mr. Green.

SECONDARY MARKETS

Mr. GREEN. To what extent are you able to sell your portfolio? Is there a secondary market developing for it?

Ms. GREENWALD. We are trying to develop a secondary market. As you know, we do loans jointly with commercial banks when they are willing to do so. We are talking with some banks about doing some more participation including some of the larger New York banks. Fannie Mae and Freddie Mac have never created a secondary market for co-op housing loans. We are continuing our dialog with them in these areas. We hope to be able to sell some of our housing loans so we can take that money and go into the market with it.

Mr. GREEN. Let me refer you to an article in *Forbes,* which described an $11 million housing loan for a swimming-pool-equipped housing complex in Washington, D.C.

Is this what the Bank should be doing?

Ms. GREENWALD. Yes, that loan is to Town Center West. Congressman Fauntroy was there at the closing. This is an example of a mixed-income building in which the tenants were going to be displaced. The owner put the building on the market. It is a nice building needing some rehabilitation. As I remember, a third of the members of the building have formed the co-op. They went to almost every bank in this city, tried to get a loan, and were turned down everywhere. They came to the Co-op Bank, and we made the loan. Not only was Congressman Fauntroy there, but almost every Member of the D.C. City Council.

EXISTING FEDERAL PROGRAMS

Mr. GREEN. Why does the 234 program for condominiums not provide financing for housing?

Ms. GREENWALD. Those are insurance programs and they have not served the needs of co-ops, which are very low on their priority lists. They do not do much financing for co-ops, because the older established co-ops like those in New York City which have major renovations required for energy and efficiency are not getting funds for that. Either funding is inadequate, or alternatively, the time processing is enormous. As I have mentioned before, our experience, now that our staff is on board, is that you can get an approval from us in 50 days. It is shorter for commercial loans. In housing there is a lot more documentation necessary.

INTEREST RATES

Mr. GREEN. How has the great fluctuation in interest rates affected your operation? Just yesterday we had another increase in the market.

Ms. GREENWALD. What creates problems for us is what creates problems for our borrowers; 14 percent interest rates makes it difficult for low and moderate income people to afford housing.

As a bank, high interest rates add to my income, makes it possible for me to become self-sufficient quicker, but for the borrower, it hurts their business.

Mr. GREEN. What kind of spread do you think you will be able to get in borrowing long-term money? One of the risks in this market results if interest rates should go down.

Ms. GREENWALD. There would be some risk if long-term rates go down. We already have in-house over $400 million worth of applications. We will not go out to borrow until we have approved loans matching the amount we have to lend. I would want very closely to match them. Although we may lend long, our interest rates are not fixed. While housing loan, are amortized over the years, the rate is renegotiable every five years.

Mr. GREEN. Thank you, Mr. Chairman.

Mr. BOLAND. Mr. Stokes.

ADMINISTRATION CRITICISM

Mr. STOKES. Ms. Greenwald, in the President's document sent to Congress entitled "Program for Economic Recovery" there is very serious criticism raised about the Bank's performance. For example, the document states that although over $50 million had been appropriated for the Bank's activities by the end of 1980, only $5 million in loans had been disbursed by the end of the year, and out of the Self-Help Fund, despite appropriations of over $11 million, less than $1,000,000 had been provided for the intended recipients.

My question to you is, is this a fair criticism and if not, why not?

Ms. GREENWALD. I do not think it is a fair criticism at all. The Bank acted in a prudent manner. We did not shove money out the door at any time. What we have done is put together before we make loans the proper procedures. We checked to make sure our procedures were being followed. We had an outside audit by Haskins & Sells. We wanted to make certain all procedures were correct. We have now had our financial audit by GAO. It was a clean financial audit, no criticisms, no suggested corrections or changes in anything we are doing. That is the way the Bank should operate if we intend to be self-sufficient.

It is also unfair in that it refers to $5 million on disbursed loans and fails to factor in $26 million in commitments, some not disbursed for valid reasons.

Now that we are in place with our procedures and staff, we have in fact, in the following seven or eight months, approved another $100 million worth of loans, which is where our standings are in March 30, 1981.

In Title II, as you may know, Mr. Palmer was confirmed by the Senate on October 20. No loans were disbursed until he came on board. In the six months since his appointment, Title II has approved $13 million of loans, of which about $4 million or $5 million have been disbursed, so I think the statement is misleading.

Mr. PALMER. Mr. Stokes, I would like to add, that the statement also ignores very deliberately the developmental aspect of the Self-Help Development Fund; development activities do not produce quick body counts. They are time-consuming. They are greatly involved, particularly as the office responds to the needs of lower-income cooperatives and groups.

The processes that are involved in creating a viable co-op for low income persons, be it housing, commercial, worker-owned, or producer cooperatives, involve a long-range of activities, linked with

technical assistance, linked with financial performance planning, linked with implementation and extensive hands-on guidance.

So, that in and of itself is another encumbrance against the Self-Help office producing quick statistical results.

TITLE II LOANS

Mr. STOKES. Well, now both of you have mentioned Title II in your remarks. I understand you have made how many loans under Title II?

Ms. GREENWALD. About 50, $13 million worth.

Mr. PALMER. We have had 53 approvals.

Mr. STOKES. For what amount of money?

Mr. PALMER. $13,059,000.

Mr. STOKES. Can you tell me, of the loans made under Title II, how many were to cooperatives in low income communities, and also tell me how many were made to predominantly minority low income communities?

Mr. PALMER. Fifty-eight percent of the loans were made to co-ops in low income communities. I do not have the breakdown of those that were made to predominantly minority low income groups, but there are a significant number of these that were.

Ms. GREENWALD. Virtually all of them.

Mr. STOKES. Would you provide that for the record?

Mr. PALMER. Yes.

[The information follows:]

MINORITY PARTICIPATION IN LOANS

RACIAL-ETHNIC DATA ON TITLE II APPROVED COMMERICAL ADVANCES [1]

Co-op name and location	Black membership	Hispanic membership
Community Food Market, Virginia [2]	X	
Cooperative Campesina Azteca, California [2]		X
Cooperativa Socios Unidos, California [2]		X
Freedom Quilting Bee, Alabama [2]	X	
Mt. Airy Co-op Association, Pennsylvania [2]	X	
Self-Help Action/Chicago, Illinois	X	
Sunset Pharmacy, Texas		X
University West Consumer Co-op, Georgia [2]	X	
Valley Troquero's Co-op, Texas		X
West Oakland Food Co-op, California [2]	X	
Total	6	4

[1] Total approved advances: 29.
[2] Closed loans.

RACIAL AND ETHNIC DATA ON TITLE II APPROVED HOUSING ADVANCES [1]

Co-op name and location	B. S.[3]	B. O.[3]	B. C.[4]	M. O.[5]	H. O.[6]
Villa Excelsior, Providence, R.I		X			
Massachusetts Avenue, Washington, D.C	X	X			
Suitland Parkway, Washington, D.C		X	X		
Madison Square, Grand Rapids, Mich		X			
Monterey Place, South Norwalk, Colo.[1]		X	X		
St. Francis Square, San Francisco, Calif				X	
West Side Housing, Milwaukee, Wis.[7]				X	
La Cooperativa-St. Elena, Soledad, Calif					X

RACIAL AND ETHNIC DATA ON TITLE II APPROVED HOUSING ADVANCES [1]—Continued

Co-op name and location	B. S.[2]	B. O.[3]	B. C.[4]	M. O.[5]	H. O.[6]
991 Columbus, New York, N.Y.					X
Covington Co-op, Washington, D.C.				X	X
Total	1	5	2	3	3

[1] Total advances approved or closed: 24.
[2] Predominate black sponsor or co-op board.
[3] Co-ops with predominately black occupancy (50 percent or more).
[4] Co-ops located in predominately black communities.
[5] Co-ops with estimated mixed occupancy of 20 percent or more black.
[6] Co-ops with predominate Hispanic occupancy.
[7] Closed loan.

Mr. STOKES. How many cooperatives receiving assistance from the Bank under Title I and Title II could successfully access the private lending market today? Is that information available?

Ms. GREENWALD. I am sorry, Mr. Stokes, would you ask that again?

COOPERATIVES' ACCESS TO CREDIT

Mr. STOKES. In your opinion, how many of the cooperatives receiving assistance from the Bank under Title I and Title II would be able to successfully have access to the private lending market today?

Ms. GREENWALD. A number of the commercial co-op loans that Title I has made could access to the private market.

As you know, there was a proposal at one point to make the Bank a lender of last resort. That was rejected by Congress. If the Bank were perceived as only making loans to groups that could not borrow elsewhere, there was no chance we could go into the capital market to borrow. We have consciously made loans to large co-ops and we need, as a small Bank, to have those kind of loans so we will have stable income to make other loans.

Under Title II, there is not any of these who could have borrowed in the private market. Almost none of our housing loans because, I think I can verify in all those cases, they had gone to a number of banks if not to every bank in their city and were unable to borrow.

My guess is that possibly 15 percent of our borrowers could have borrowed from a commercial bank.

Mr. STOKES. But a substantial number could not have.

Ms. GREENWALD. That is correct.

COSTS OF BANK PHASEOUT

Mr. STOKES. I notice no funds are being requested for fiscal year 1982. Even if you are being phased out, does it not require some type of funding?

Ms. GREENWALD. The Administration has asked the Bank to use its salaries and expenses money for this fiscal year to phase out the Bank.

Mr. STOKES. Well, in your opinion, would there not be some other functions that require some money other than salaries and expenses to conduct this kind of a phaseout operation?

Ms. GREENWALD. It is our estimate it will cost from $14 million to $22 million to close down the Bank, which is more than our salaries and expenses money, but we expect the Treasury will assume those costs. But it will not be a costless operation.

Mr. STOKES. I would think not.

OTHER SOURCES OF COOPERATIVE CREDIT

Mr. BOLAND. How do private bank loans to cooperatives compare with cooperative loans from all other sources?

The approximately 10,000 existing cooperatives cannot all be funded from the National Consumer Cooperative Bank—they must have other sources of funding.

Ms. GREENWALD. Many of the co-op housing loans have FHA money or other HUD financing. They are now finding it difficult to get money for renovation and energy efficiency.

Mr. BOLAND. You are as familiar with banks as anyone in this Nation. What sort of cooperation or assistance do the private-market banks give to the cooperatives?

Ms. GREENWALD. A Treasury study done before the Bank was created said co-ops do not have equal access to private funds. Most co-ops are very small and are dependent on members' savings and do not make as big an impact on the local market as they should in terms of fighting inflation.

Mr. BOLAND. So, I understand then, that one of the big sources of funding is loans from the members of cooperatives?

Ms. GREENWALD. That is right.

Mr. BOLAND. Mrs. Boggs.

EFFECT OF OMB ORDER

Mrs. BOGGS. I understand the Bank was directed by OMB to cease all outreach activity. Is that the case? What is the status of the Bank's activities at this point?

Ms. GREENWALD. Congresswoman, that is correct. The status of the Bank's activities is that we have cut back on any kind of activities that would need the continuation of the Bank in order to make them viable. So we are making loans to cooperatives, but for example we have not scheduled any conferences or workshops past this fiscal year. We are allowing no publications to go out, to be printed. We have done those kinds of things in response to OMB's request.

By outside counsel we were told until Congress told us to cease activities, we were legally obliged to make commitments, but when you send a commitment letter and say subject to availability of funds, that does not really suffice. For example, if you are a tenant group and have a 60-day right of first refusal, and you get a letter from the Bank saying here is the funding subject to availability of funds, the judge will not allow the property to be held. We cannot give people real commitments.

Mrs. BOGGS. It seems to me this early directive to begin termination of the Bank runs counter to Congressional intent.

Ms. GREENWALD. Yes, we believe so, and our outside legal counsel said so most strongly.

BANK FILLS MARKET GAP

Mrs. BOGGS. I note that a major reason for termination of the Bank given by the Administration is that cooperatives do receive special tax treatment and that promising cooperatives should be able to acquire adequate credit through the private market.

I thought in creating the National Consumer Cooperative Bank, we were addressing a gap in the private market, that consumer cooperatives did not find private credit readily available. After all, the Bank for Cooperatives has been seen for years as a necessary vehicle to assist agricultural cooperatives.

Would you comment on this?

Ms. GREENWALD. You are absolutely right, Congresswoman, the Treasury Department did a study to determine whether co-ops had equal access to credit, and determined it was not true. As you alluded, the rural electrics, at their start they were termed unnecessary, that you did not need a specialized institution, yet I would say they have become gems in the crown of Federal programs, being self-sufficient, proving their worth. We believe we are in that tradition.

CO-OPS DO PAY TAXES

On the issue of whether co-ops have unfair tax advantages, that is an old charge. But I would like our chairman who has been a cooper for years to cite some examples.

Mr. SOLLARS. I was with the Ohio Farm Bureau and was a target for the National Tax Equality League. At that time, we did have a lot of exempt cooperatives. There was a situation where you pay dividends before you pay taxes. I asked them this, to join me, because for years we have had a lack of capital for making loans, so why do we not, instead of you trying to change us, why do we not make it possible to pay dividends before you apply taxes in all corporations? This would beef up the capital markets. If they had done that, they would have lost their jobs.

But since most of the co-ops in the United States are what we call non-exempts—today, it would be the same thing if you got a refund from Chrysler, GM, or Ford, you would not have to pay taxes on that.

You have to operate so closely in an organization, be sure the co-op did not have financial problems, you do have to try to take in more than you spend. If you do that, it makes refunds available to your patrons. I think it would be ridiculous to eliminate that. A lot of casualties. I think it would be detrimental to the movement.

As President Greenwald has said, I think this has been worn thin years ago, but I would still like to get together with them and apply dividends before we pay taxes in all corporations in this country. I believe it would beef up our capital markets.

ADMINISTRATION PLAN FOR LIQUIDATION

Mrs. BOGGS. Under the Administration's plan, what agency would handle the loans outstanding?

Ms. GREENWALD. As I understand the Adminstration's plans, they would be turned over to Treasury for liquidation. Their loans would be sold off and liquidated.

BANK'S INVESTMENT STRATEGY

Mrs. BOGGS. Was this focus a result of risk assessment, or was it a result of less demand from consumer-goods producers, health care, and other kinds of cooperatives?

Ms. GREENWALD. It relates to all the things you have stated. Right now, we have over $300 million worth of applications in the Bank for housing cooperatives. So, there is an enormous demand. It has all been generated by market forces. You have established co-ops trying to become energy-efficient by putting on storm windows, et cetera. Some have been generated by the condo-conversion craze. You see low and middle income people trying to stay in their neighborhood, so what they have turned to is the co-ops. They are coming to the Bank because we are the only agency in the country who not only lends, but can give technical assistance.

On the consumer goods side, we are sitting right now with over $120 million worth of loan applications from consumer goods and services kinds of co-ops. So, when you say our demand—it is there across the country in every kind of economic activity from day care to a pharmacy, to health care co-ops, to food stores. There just is no activity dealing with the basic necessities of life, in which people are not being affected and searching around with their neighbors and friends to see if there is not something that can be done about the problem.

As a small startup operation, you would expect the Bank to have a larger percentage of its portfolio in housing. Congress clearly expected us to do that. They put a cap on the percentage of funds in Housing but delayed it until 1983. As we got our expected additional capitalization, we would become a $300 million Bank and we would be putting more and more into the non-housing areas.

Commercial banks in this country with under $100 million in capital have 44 percent of their portfolio in housing. You had a 30 percent cap because you were looking at banks with over a billion dollars. Banks of that size have 28 percent of their portfolio in housing.

If we were at $300,000,000 you would not be seeing an overconcentrated——

Mr. BOLAND. I suppose a lot of those banks regret that they have 80 percent of their portfolio in housing. I am talking about the old loans.

BANK'S TERMINATION SHORTSIGHTED

Mrs. BOGGS. As I understand it, once capitalization of the Bank is completed, no further appropriation should be necessary, with the exception perhaps of the small amount for the Self-Help Fund. Since consumer cooperatives seem to represent a creative private-sector mechanism for assisting consumers in coping with inflation, this budget cut seems to be shortsighted in terms of short-term savings only.

Ms. GREENWALD. I cannot agree with you more.

The money that is put into the Bank is not an expenditure of funds. The proposal says by eliminating the Bank you cut back on

expenditures. It is an investment by Treasury. So there is no saving to the budget by cutting out the Bank.

TECHNICAL ASSISTANCE

Mr. BOLAND. Mr. Sabo.

Mr. SABO. Where does technical assistance come from?

Ms. GREENWALD. Salaries and expenses.

Mr. SABO. It advises groups planning to form co-ops that they should not, as well?

Ms. GREENWALD. Yes. In fact, we are working with a group in Oklahoma, a factory shutdown case, and we would like to have them preserve their jobs, but if they take the proposals made to them, they will be bailing somebody out. We are trying to work with them on how to maintain jobs with a sustainable operation. So, that is technical assistance.

Mr. SABO. As you project within a certain level of capitalization that you take care of your own salaries and expenses, does that contemplate continuing technical assistance?

Ms. GREENWALD. Yes; we think technical assistance is an integral part of the loan. We do not make loans under title II without the technical assistance component. That is part of our distinction.

In order to make loans that will be viable and paid back to new startup situations and to people who never have had management jobs before, we need to give technical assistance.

EXISTING CO-OPS AND THE CO-OP BANK

Mr. SABO. I am curious as to the relationship of existing co-ops with the Consumer Co-op Bank in terms of purchasing shares.

Where I come from, some of the rhetoric I hear around here amazes me. I am amazed to hear the co-ops somehow supposed to be un-American because where I come from, conservative farmers are entrenched in the co-op movement. The statements I hear here are so far from reality it is unbelievable.

Some of these long-time large co-ops clearly have substantial financial resources. My judgment would be, while their primary responsibility is to their own membership, I would think they would have some nostalgia for co-ops remaining from when they were small and struggling.

Ms. GREENWALD. The established co-ops have been very supportive. They have passed around resolutions in favor of the Bank. They are interested in building bridges between farmers and consumers. It is a long-held dream, of the producer-consumer co-op movement. On the other hand, the law does not allow us to lend to them. So, we do have to keep some distance. The law says if you are eligible to borrow from the Bank for co-ops——

Mr. SABO. Are they prohibited from purchasing capitalization shares?

Ms. GREENWALD. No; however, they do have to act as prudent trustees, and they have fiduciary responsibilities. At the present time we do not pay a dividend on shares. There is only a minimum amount they could invest in the Bank.

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Mr. SABO. I understand that, but some co-ops by investing a relatively small amount as it relates to their financial standing could have a substantial impact on your bank.

Mr. SOLLARS. I am a farmer. Farm co-ops happen to represent the most rapidly expanding organization in the United States. They have increased their efficiency. It has taken a lot of capital. They have been strained for capital themselves. If it had not been for the co-ops, we would not have had a ghost of a chance to keep up. They have been working so feverishly to try to keep up with their own industry. They have their own problems. I happen to be a member of several of them myself, and we are always pushing on them to do more and more. In fact, my local co-op just had a drive during which my family bought several thousand dollars of eight-percent stock. I have four sons who run a hog farm. I sold them on the idea, but it was not easy.

Now, if that co-op would go out and spend money in another co-op, this would be more difficult to explain. American agriculture is doing one whale of a job. It is very, very difficult for our co-ops to keep up with us. I am so proud of being a part of this, because our productivity has increased every year. We will do better next year.

You talk about anti-inflationary, you cannot beat that.

Mr. SABO. I continue to think that investing in the Bank is something that existing co-ops should consider given the current circumstances.

Ms. GREENWALD. I agree, and we have our prospectus at the printer's right now.

Mr. SABO. Thank you, Mr. Chairman.

Mr. BOLAND. Mr. Green.

Mr. GREEN. I would like to return to the cap you have on housing funds. Would you recommend a change and would your recommendation be any different if your capitalization tops out at other than $300 million?

Ms. GREENWALD. Yes. It is a smaller bank. It is unrealistic to think that only 30 percent of our portfolio could be in housing. I could produce the computer runs. I do not have them with me. Banks under $100 million in size keep 47 percent in real estate in their portfolio. If we are to be capped at considerably smaller size, we need those large loans in order to get the income to service the smaller loans. We will have to have more than $30 million in housing.

Mr. GREEN. What about the $200 million you suggested?

Ms. GREENWALD. I think there will be a need to change it.

Mr. BOLAND. Mr. Traxler.

RURAL CONCERNS

Mr. TRAXLER. I would not want you to go away without me saying good things about rural America.

Mr. BOLAND. I thought you were a big-city man.

Mr. TRAXLER. I have a foot in each camp, Mr. Chairman.

Looking at the Administration's budget recommendations, they propose to terminate the SBA, and the Farmers Home Administration.

What government agency is there that can make credit available in rural America if you go and Farmers Home goes and SBA goes?

Can and will the private banks pick up the slack? Will they make the same kinds of investments?

Mr. SOLLARS. I happen to be also a commercial banker, Chairman of the Board of a bank. I am also Chairman of the Board of one of Ohio's largest insurance companies. Our commercial credit associations have practically as many assets loaned as all the financial institutions in the county put together. We would not have any less commmercial establishments for consumer loans.

So it has made a contribution. This is part of my motivation for being for this. I think it is very, very important for people in this country to own part of something. I come from American agriculture where you get up at five o'clock in the morning and you own your business. You actually, in effect, are working for yourself. I am very proud of this organization. We have more people who are homeowners instead of renters; more people participating in their own health care co-ops which are a more efficient delivery system because of this organization. We did not create this, but we are helping.

I would say in the case of rural America it will be difficult for young farmers to get started. As a commercial banker I have to have a sound loan. You have to demonstrate to me you have adequate cash flow, which is difficult to do. You can come in with a tremendous equity ratio, you will not get the loan. PCA is doing the same thing, Federal Loan Bank is doing the same thing, they do not want to have to make loans to people and have to foreclose on them. Credit in rural America is going to be very difficult.

BANK CASH FLOW REQUIREMENTS

Ms. GREENWALD. On this cash flow, it relates back to the Bank when we talk about different capitalization levels for the Bank to be self-sufficient. I am not sure I made it clear, the required capitalization needs to be given to us up front. We cannot proceed as now that only after we approve the loan then the Treasury give us the funds. The Bank needs the income from the funds to cover salaries and expenses during the processing time for the loan. The Bank needs the funding up front until the loan starts paying back. The Bank cannot work under the present procedure if we are picking up all the salaries and expenses money. The Bank has to have it up front.

Mr. TRAXLER. Thank you, Mr. Chairman.

ROLE OF SELF-HELP FUND

Mr. BOLAND. Does the Self-Help Development Fund help the Bank be self-sufficient?

Ms. GREENWALD. No, it allows us to meet the mandate the Congress had intended, that we let community groups start new cooperatives to meet their needs, and it really delivers loans to low-income persons.

Mr. BOLAND. Would there have to be a change in legislation to provide for that? Right now, none of the income can be used to support the expenses; you need to change it. The income from the loan could be used to generate new loans or support salaries and also to provide technical assistance.

IMPACT OF RESCISSIONS

Mr. Sollars, let us assume for a moment that the $90 million of the 1981 appropriation is rescinded. Would the only logical alternative be to revoke the charter of the NCCB?

Mr. SOLLARS. I worked so hard to get this bank started; I would do everything before I gave up.

Mr. BOLAND. Is the American Farm Bureau Federation a conservative organization?

Mr. SOLLARS. Oh, my, yes.

Mr. BOLAND. You were one of its leaders at one time?

Mr. SOLLARS. At one time.

Mr. BOLAND. The Bureau is in favor of the continuation of the Bank?

Mr. SOLLARS. I am not sure. I am afraid to ask them. I will say this, they have never said they were against it.

Mr. BOLAND. That is why you were on the Board.

OHIO FARM BUREAU SUPPORTS BANK

Mr. SOLLARS. The Ohio Farm Bureau has highly supported the Bank, always has, and they do today. In fact, I am real closely related because my son is President of the Fayette branch, where I am from. We have a lot of support, but the American Farm Bureau is ultra-conservative. That is all right, but they go a little overboard at times.

NUMBER OF APPROVED LOANS

Mr. BOLAND. Mr. Stokes asked about the number of soft loans made, and the response was there were 53 at $13 million. Is that correct?

Mr. PALMER. Yes.

Mr. BOLAND. How many hard loans has the Bank itself made?

Ms. GREENWALD. The Bank has made 77 loans.

Mr. BOLAND. At what dollar figure?

Ms. GREENWALD. $91 million.

Mr. BOLAND. Are any of these loans in either the Fund or the Bank in default?

Ms. GREENWALD. There are no loans in default. There are two classified loans: one at the fund and one at the Bank. The one at the Bank is a $24,000 loan, and it is classified doubtful.

TERM OF LOANS

Mr. BOLAND. For what period of time are the loans made? What would be the longest period of time a loan would run?

Ms. GREENWALD. A mortgage loan could run 30 years. On the Fund, however, they have structured their loans, even their housing loans are averaging only eight years.

NUMBER OF NEW LOANS

Mr. BOLAND. How many loans would be made if the Bank had $200 million in capitalization from the Treasury?

Ms. GREENWALD. Something close to 250 loans.

Mr. BOLAND. Have you any idea how much money all cooperatives would borrow in a year from all sources other than the National Consumer Cooperative Bank?

Ms. GREENWALD. You are excluding the farm co-ops, which borrow $9 billion a year; I have no idea. I could give you a list of no more than 25 consumer co-ops that can borrow from private banks.

Mr. BOLAND. The totals that have been approved come to about $110.5 million both in the fund and the Bank itself. How much of the $110.5 million has been obligated?

You may supply that for the record.

[The information follows:]

Treasury has purchased our stock by obligating $77 million of the appropriation available to them for purchasing the Bank's stock.

As of April 15th, 1981 the Bank in Title I had completed loan closings of $46.6 million and Title II 5.7 million. Of that total $17.3 million are earmarked for loans which are only partially disbursed.

Mr. BOLAND. If the obligations total less than $110.5 million, are you legally required to honor all loans previously approved?

Ms. GREENWALD. No, because since we spoke to OMB, loans approved after that date have carried a paragraph on them saying they are subject to availability of funds.

Mr. BOLAND. $59 million was committed this year; is that correct?

Ms. GREENWALD. That is correct.

RATE OF LOAN APPROVALS

Mr. BOLAND. What accounts for the sudden rush of loan commitments in January?

Ms. GREENWALD. It is a bookkeeping procedure. We can provide this for the record. The loan committee met every two weeks, we approved loans every two weeks. GAO was in for an audit and we discovered only in January that our accounting department had not gone over to Treasury and processed with them the number of loans we had approved. Our accounting division did not because they said they were involved with GAO. We can provide for the record documentation that it was not that we had made that number of loans in January. It did not happen in that order, but it got recorded on Treasury's records that way. We are a new Bank and we were careful to see that our lending procedures were soundly in place and that we had a trained staff. We were deliberately slow in approving loans at first but the approvals began to accelerate by December.

BOARD OF DIRECTORS

Mr. BOLAND. How many positions are filled on the board of directors?

Mr. SOLLARS. Eight.

Mr. BOLAND. Supply for the record a list of the current board of directors.

[The information follows:]

Frank Sollars, Lawrence Connell, Derek Norcross Shearer, Frances Levenson, Joseph L. Hansknecht, Jr., Reverend A. J. McKnight, Juan Patlan, Ronald Grzywinski.

Mr. BOLAND. How many members are required for a quorum?

Ms. GREENWALD. The majority of sitting members.

Mr. BOLAND. Have all 15 been appointed? What happens if there is no quorum present?

Mr. SOLLARS. No, there are eight now, but the majority of those attending would make a quorum.

Ms. GREENWALD. Right now there are eight official members, so a majority of those, five, would make a quorum. If any of those were to be removed, the size for a quorum would decrease to a minimum of three, never less than three.

Mr. SOLLARS. We do not have attendance problems.

FREE MARKET ECONOMY

I do not want to leave this room with you thinking I am not in accord with the American Farm Bureau. Basically, it is for a free market. I am for that.

Mr. BOLAND. You are right in tune with the Administration?

Mr. SOLLARS. I am a Republican.

Mr. TRAXLER. All my farmers are for the free market, as long as the prices are up.

The day they go down is when we are going to intervene and save rural America and keep the small banker from going bankrupt.

Mr. SOLLARS. Right now, the prices are up, so we are for a free market.

Mr. TRAXLER. We are very philosophic and by gosh, we are firm.

Mr. BOLAND. I noticed that in the years I have been here.

Mr. SOLLARS. My boys are in the hog market—but it is best the government not control the hog market.

LOAN GUARANTEES

Mr. BOLAND. The Congress provided authority for the Bank to guarantee $5 million in loans in 1981. The 1982 Carter budget did not request similar language for fiscal year 1982. Why?

Has or will the Bank guarantee any loans in fiscal year 1981?

Ms. GREENWALD. No; it is unlikely we will. We had requested guarantee authority in 1982 and OMB eliminated it. In commercial banking, doing a loan guarantee is very profitable. You get a commitment fee and do not expend any funds. However, we discovered under government accounting regulations we would have to reserve the funds even though all we earned was the commitment fee.

REGIONAL OFFICES

Mr. BOLAND. The 1981 budget assumed two regional offices would be opened in fiscal year 1981. Last spring, the Bank announced plans to open eight regional offices in fiscal year 1980.

Are all eight offices fully operational?

Ms. GREENWALD. All except the last one.

Mr. BOLAND. The justifications place a considerable amount of emphasis on the establishment of the eight regional centers. We were a little distressed that you went ahead and set up eight regional centers, even though this committee recommended setting

up only two. The reasoning is, however, pretty solid. So, congratulations.

Ms. GREENWALD. Thank you very much.

Mr. BOLAND. How long have the eight regional centers been in existence?

Ms. GREENWALD. The first opened in California in October, and our New York office officially opened two weeks ago, and Detroit this week.

Mr. BOLAND. I understand that many loans were processed in the Washington office.

REGIONAL OFFICES

Ms. GREENWALD. Yes, at the present time, except for Detroit, all loan applications come through the regional offices. It is not so much that you need the regional offices to book the loans, but to service the loans. We require they go out there quarterly and visit all but the largest borrowers. Of course the Title II loans, we have people visiting there in some cases weekly. We need to be on top of those loans.

LOANS USED FOR BUSINESS PURPOSES ONLY

Mr. BOLAND. The House-passed 1981 HUD-Independent Agencies Appropriation bill contained language regarding lobbying efforts and political activity by the Bank (Young amendment). The language was dropped in conference but the Bank was cautioned against engaging in particular partisan purposes.

What action has the Bank taken to ensure that the assistance given to cooperatives is for business-related purposes only?

Ms. GREENWALD. We collateralize our loans. We require monthly financial statements. We can account for every penny of where our money is spent.

ROLE OF SELF-HELP DIRECTOR

Mr. BOLAND. The Director of the Office of Self-Help Development and Technical Assistance was appointed by President Carter.

Can the incumbent be removed by the President? Under what circumstances?

Ms. GREENWALD. Yes, sir.

Mr. PALMER. That was my understanding.

Mr. BOLAND. Can Self-Help Development loans be made without a Director?

Ms. GREENWALD. That is a legal question to which our legal counsel says the answer is yes. As with any corporate structure, all the powers of the Bank derive from the Board, and the Board, therefore, could make loans but the president of the Bank could not.

IMPACT OF SELF-HELP FUND REDUCTIONS

Mr. BOLAND. With $20 million in Self-Help Development funds, how many less credit-worthy cooperatives could be assisted?

Ms. GREENWALD. The commercial loans in Title II are running around $100,000 on an average, so divide it through. With that

limited amount of funds they will pull out substantially from housing.

Mr. BOLAND. You can understand why I am asking the question, can't you?

Ms. GREENWALD. Yes. It is 160 less commercial ventures that would not be helped.

PERSONNEL

Mr. BOLAND. Turn to page C–1, the organization chart. That chart indicates that 65 of the 204 positions in 1981 are at the E–5 or above level.

Why should nearly one-third of the 1981 positions be paid more than $30,000?

Ms. GREENWALD. Our salary structure is somewhat similar though lower than the Farm Credit Administration. Our salaries average $27,000. Theirs average $29,000. We have an experienced staff of loan officers with a lot of responsibility.

Mr. BOLAND. How many of the 204 positions are currently filled?

Ms. GREENWALD. 175.

STATUS OF FISCAL YEAR 1981 BANK EARNINGS

Mr. BOLAND. The 1981 appropriation for Salaries and Expenses is $8,700,000. Is the $2 million estimate for interest earnings in 1981 still valid?

Ms. GREENWALD. Yes, we will earn more interest income than that. We are reserving for loan losses. We expect to earn more than $2 million, but the additional amount is going to our loan loss reserve.

CURRENT OBLIGATIONS

Mr. BOLAND. How much of the $8,700,000 has been obligated to date?

Ms. GREENWALD. Karen Severn is our Budget Officer.

Ms. SEVERN. The total amount as of the end of February is $3.6 million averaging $800,000 a month. That would bring it to $4.4 million as of March 31.

Mr. BOLAND. The 1982 Carter request was to have supported 324 permanent positions and 285 staff years. Where would those positions and staff years have been located organizationally?

You may supply that for the record.

[The information follows:]

SUMMARY OF FULL-TIME EMPLOYMENT IN PERMANENT POSITIONS BY ORGANIZATION—FISCAL YEARS 1980–82

[All data on a comparable basis]

			1982 Carter budget			
	Actual Sept. 30, 1980		Estimate Sept. 30, 1981		Estimate Sept. 30, 1982	
	Positions	Staff years	Positions	Staff years	Positions	Staff years
Washington:						
Executive offices	19	14.25	21	20.30	21	20.30

SUMMARY OF FULL-TIME EMPLOYMENT IN PERMANENT POSITIONS BY ORGANIZATION—FISCAL YEARS 1980–82—Continued

[All data on a comparable basis]

	Actual Sept. 30, 1980		1982 Carter budget			
			Estimate Sept. 30, 1981		Estimate Sept. 30, 1982	
	Positions	Staff years	Positions	Staff years	Positions	Staff years
Office of the Director for Self-Help Development and Technical Assistance	14	10.50	32	31.04	46	41.40
Office of the Vice President for Management	26	18.00	31	29.90	47	37.90
Office of the Vice President for Loan and Investment	20	10.00	29	27.90	49	44.60
General Counsel	5	5.00	8	7.58	11	10.30
Office of the Vice President for Regional Operations	3	2.00	3	3.00	4	4.00
Treasurer	0	.25	3	2.56	3	3.00
Office of the Vice President for Policy and Planning	7	6.00	19	16.74	37	31.35
Subtotal	94	66.00	146	139.02	218	192.85
Field: Regional offices	15	3.00	58	49.28	106	91.90
Total	109	69.00	204	188.30	324	284.75

PERSONNEL REQUIREMENTS

Mr. BOLAND. How many permanent positions and staff years would be required to support a $200 million Bank and a $5 million Self-Help Development operation?

Supply that for the record.

[The information follows:]

ESTIMATE OF FULL-TIME EMPLOYMENT IN PERMANENT POSITIONS BY ORGANIZATION TO SUPPORT A $200 MILLION BANK AND A $5 MILLION SELF-HELP DEVELOPMENT FUND

[All data on a comparable basis]

	Actual Sept. 30, 1980		Estimate Sept. 30, 1981		Estimate Sept. 30, 1982	
	Positions	Staff years	Positions	Staff years	Positions	Staff years
Washington:						
Executive offices	19	14.25	21	20.30	21	21
Office of the Director for Self-Help Development and Technical Assistance	14	10.50	10	24.50	10	10
Office of the Vice President for Management	26	18.00	29	29.90	29	29
Office of the Vice President for Loan and Investment	20	10.00	19	27.90	35	30
General Counsel	5	5.00	8	7.58	8	8
Office of the Vice President for Regional Operations	3	2.00	3	3.00	4	4
Treasurer	0	.25	3	2.56	3	3
Office of the Vice President for Policy and Planning	7	6.00	0	12.00	0	0
Subtotal	94	66.00	103	127.74	110	105
Field:						
Regional offices	15	3.00	58	49.28	90	82
Total	109	69.00	161	177.02	200	187

Mr. BOLAND. I am trying to strike at some options here to see if we can keep you alive.

Ms. GREENWALD. The Self-Help Fund already has $7 million.

BREAKDOWN OF NATIONAL VERSUS REGIONAL STAFF

Mr. BOLAND. What about the field structure? How would employment break down between Washington and the field with respect to these staff years and positions?

You may supply that for the record.

[The information follows:]

ESTIMATE OF FULL-TIME EMPLOYMENT IN PERMANENT POSITIONS TO SUPPORT A $200 MILLION BANK AND A $5 MILLION SELF-HELP DEVELOPMENT FUND

[All data on a comparable basis]

	Actual, Sept. 30, 1980		Estimate, Sept. 30, 1981		Estimate, Sept. 30, 1982	
	Positions	Staff years	Positions	Staff years	Positions	Staff years
Washington national office	94	66	103	127.4	110	105
Regional delivery system	15	3	58	49.28	90	82
Total	109	69	161	177.02	200	187

Ms. GREENWALD. Most of our growth will happen in the field. We have staff here for putting on loans, but we need the staff in the field for loan management. So, our growth will be in the field.

REVIEW OF BANK EXPENDITURES

Mr. BOLAND. The Congress appropriated $7,395,000 for Salaries and Expenses in 1980. The Bank obligated $7,350,000 (page B–4). Of the amount obligated for Salaries and Expenses in 1980, $1,670,986—or nearly 23 percent—was obligated in the last month.

Why was so much obligated in the last month?

Ms. GREENWALD. We were putting together a technical assistance network. The Bank has never envisioned providing technical assistance by itself. Instead, what we did was start a process in March. Remember, the Bank just became operational in the spring, at which time we reviewed 900 technical assistance providers, wrote our technical assistance procedures, got lots of applications and reviewed them. From the 900 we selected 65 technical assistance providers. We put those people under umbrella contracts. It was September before we obligated the money. Those contracts provide us with technical assistance capability nationwide. The funds are drawing down. When a co-op comes to the Bank, our staff will do the assessment, then we go to one of the providers on contract to the bank to draw down on the funds.

It took a long time to put the network in place but this network will be there for this year and next year and the future.

PERSONNEL FROM FEDERAL AGENCIES

Mr. BOLAND. How many Bank employees came from other agencies? And how many are relatively new Federal employees?

Ms. GREENWALD. Only 18 people of our 170 member staff came from other Federal agencies.

We have been hiring people out of commercial banks, S&Ls, and Cooperatives.

STATUS OF BANK EMPLOYEES

Mr. INK. In any event, they are not Federal employees. They are members of the Bank's staff.

Mr. BOLAND. They are not civil service personnel, either?

Mr. INK. No.

Mr. BOLAND. I hope they are appointed under the merit system. Are you subject to the OPM?

Mr. INK. No, we have our own personnel policies, processes and procedures which we think are much more responsive to the needs of management and are also oriented toward an institution which is of course designed to move from the public sector into the private. So, we have followed an approach which is more oriented to the public interest.

Mr. BOLAND. That can be very political—you can appoint whoever you please.

Mr. INK. You can bring people in from outside.

Mr. BOLAND. I understand that.

Ms. GREENWALD. Congressman, you are absolutely right. If we did not mind about going under. There is also a chance that somebody who does not care about the Bank will pack it with political appointees—

OTHER SERVICES

Mr. BOLAND. On page B–4, why was the "Other Services" category nearly $800,000 higher in 1980 than had been estimated?

Would you say that was due to year-end spending?

Mr. INK. It was largely in the contractual area which is in part the technical assistance umbrella contracts that the President just spoke of.

Mr. BOLAND. Why is the 1981 current estimate for "Other Services" $250,000 below the budget estimate of $2,674,000?

Mr. INK. Our estimate indicates we need funds for other purposes and in particular, of course, the personnel benefits package, which as a matter of policy the board indicated should equal roughly the value of that of the Federal government.

Mr. BOLAND. Mr. Green.

Mr. GREEN. No further questions.

Mr. BOLAND. Mrs. Boggs.

Mrs. BOGGS. No questions.

Mr. BOLAND. Mr. Sabo.

VALUE OF EMPLOYEE BENEFITS

Mr. SABO. Your fringe benefits, health coverage, and pension plans are separate?

Mr. INK. They are separate. Although the overall value is similar to that of the Federal government, the components are different.

Mr. SABO. Are your employees subject to social security?

Mr. INK. Yes.

Mr. SABO. If the Reagan program or something comparable is adopted, I assume your employees are not eligible for the RIF, reduction-in-force, which applies to Federal employees.

Ms. GREENWALD. No, they are not. They are not Federal employees.

Mr. SABO. Thank you.

Mr. BOLAND. Your employees are somewhat similar to——

Mr. INK. Those of the National Railway Association, which is also a public corporation.

Mr. BOLAND. Carol, thank you very much; thank you, Frank; thank you all. You have given us a good record. Good luck to you.

Mr. Coughlin has several questions to be answered for the record. We will place those in the record at this point.

The Committee is adjourned.

[The questions and answers follow:]

Question. Yesterday, the Committee heard testimony from supporters of the Co-op Bank which cited two loans to illustrate the success of the Bank.

One was the West Oakland Food Co-op which received a $270,000 loan from the Bank by leveraging CETA & UDAG grants. The other, the Azalea Housing Co-op, received a $2 million loan by leveraging a $773,000 UDAG.

I thought that one of the reasons Congress established the Bank was the lack of other assistance to co-ops?

Isn't this double-dipping in a sense?

Answer. Neither of these cooperatives could have made efficient use of the other Federal funds which they received without the Co-op Bank's loan. The fact that there is some minimal grant assistance available to cooperatives does not imply that there is no need for the Co-op Bank. On the contrary, the Co-op Bank's loans permit the cooperative grant recipients to make much greater use of the funds than would have been otherwise possible. Section 102 (13) of the Co-op Bank Act (12 U.S.C. 3012 (13)) gives the Bank the power to "participate with one or more other financial institutions, agencies, instrumentalities, or foundations in loans or guarantees under this Act or on terms as may be agreed upon;." Section 208 of the Bank Act (12 U.S.C. 3048) requires the Office of Self-Help Development and Technical Assistance to " . . . work closely with all the United States Government agencies offering programs for which consumer cooperatives may be eligible to assure that information concerning all such programs is made available to eligible cooperatives." Thus, the Bank Act itself clearly contemplates that Bank assistance may be provided in conjunction with other federal programs. Azalea Housing Cooperative intends to build 68 units of low-income housing. This housing is sorely needed in Lafayette, LA and could not possibly be built with only $773,000 from UDAG. In addition, UDAG required the cooperative to have a commitment for the additional financing for the project before it made its award. The Co-op Bank's commitment was made at market rate of interest. In the case of West Oakland, the CETA grant was not made to the West Oakland Food Co-op, but rather to West Oakland Food Project, for training. The co-op provided a work place for the training and subsequent employment, so that the individuals who had been trained would be able to remain in the neighborhood. To the Bank's knowledge, UDAG funds have never been granted to the cooperative. However, the co-op does have an application for $250,000 pending on which no action has been taken. As these two specific examples illustrate, the Co-op Bank loans are necessary to enable the cooperative to put all its funds to the best possible use. In addition, many federal grants are conditioned on the recipients' obtaining other financing and very often a new organization has a very difficult time obtaining that additional financing from private lending institutions. The Co-op Bank is able to fill that void for consumer cooperatives.

Question. Cooperatives that "provide services to their members economically and have expectations of continued good earnings and strong management should be able to obtain adequate credit privately", according to the Administration. The Bank states that it only makes loans to creditworthy, economically viable cooperatives. If these cooperatives are as creditworthy as supposed, why can't they obtain credit in the private market?

Can't the cooperatives leverage other funds, i.e. UDAG's, to obtain credit from private financial institutions?

Answer. Congress established the NCCB because cooperatives cannot obtain adequate credit privately. The NCCB was created only after a U.S. Treasury Depart-

ment study of the credit needs of cooperatives persuaded the Carter administration and the Senate to endorse legislation creating the NCCG.

Question. Does SBA, for example, have any formal or informal policy regarding Co-ops?

Answer. Yes, both formal and informal, SBA's written policy prohibits loans to consumers and prohibits all residential financing except in its natural disaster program. On a limited basis, for-profit contractors may borrow working capital from SBA for residential purposes provided the real estate's owner has a permanent financing commitment.

The informal application of SBA policies rules out cooperative projects due to their non-profit and consumer orientation. The agencies aim is to provide SBA assistance to small businesses operating on a for-profit basis.

Question. Would an existing housing Co-op, for example, be eligible for assistance under the Solar and Conservation Bank as well as the Consumer Co-op Bank?

Answer. The Co-op Bank's loan and Capital Advance program gives special assistance and attention to the financing of energy conservation improvements for existing housing cooperatives. This assistance supports the rehabilitation of housing for energy-reduction efficiency, installation of solar heating equipment, improvements that reduce consumption of non-renewable resources, and technical assistance, as appropriate. All of the Bank's services are available in the form of loans which must be repaid. No grants or subsidies may be provided, as mandated by the NCCB Act. By contrast, based on our knowledge of the Solar and Conservation Bank policies and authority, SCB is basically a direct subsidy and grant program targeted to low-income tenants and single-family homeowners. We believe that the two programs are complimentary to one another. In one respect, constituents of all economic levels benefit from these coordinated national energy conservation efforts. The Co-op Bank is, of course, limited by legislation to assist only cooperatives. According to available statistics, housing co-ops, constitute only a very small percentage of the nation's housing stock.

Existing housing co-ops may, under some circumstances, become eligible for financial assistance from either bank if such problems as affordability can be addressed within the 15 year limit on Solar and Conservation Bank loans, and occupancy restricted to those with incomes of less than 80 percent of the area median.

Question. Do you have an alternative to the Reagan proposal which would terminate the Bank? (I have heard that the Bank wants some money in fiscal year 1981 for salaries and expenses, the Self-Help Fund and the Bank Fund but would require no further outlays from the Federal government in ensuing years.)

How would this be accomplished and would there be a reduction in staff, regional offices operations, and salaries?

Answer. The following reduced funding proposals would require corresponding reductions in the staff levels from those proposed in the Carter Budget.

PREVIOUS ADMINISTRATION BUDGET—FISCAL YEAR 1982

The Budget submitted by the prior administration had the following components:

Appropriations Request: Fiscal year 1982 (dollars in millions)

Title I—Bank fund	$100
Title II—Self help fund	27
Salaries and expenses	8.7
Total	135.7

IMPACT ON THE MISSION OF THE BANK

This proposed budget for the NCCB would have allowed for a continued expansion of the loan portfolio of market interest rate loans to $237 million by the end of fiscal year 1982, plus any reinvestment of capital from disbursed loans and interest incomes.

With an additional $27 million for Title II (Self Help Fund), the total available for Title II would have amounted to $63.69 million, allowing for an ongoing program in this development area for low income or fledgling cooperatives.

The $8.7 million for Salaries and Expenses would have provided for staff at both the National Office in Washington, D.C. and the eight Regional Offices throughout the country. This would allow maximization of the delivery of services to cooperatives at the local level for increased efficiency.

SUMMARY

The proposed budget was considered and developed in August, 1980, to achieve maximum bank capability to respond to a rapidly expanding demand for loans. Demand has reached $450 million as of the end of March 1981 and is increasing at a rate of approximately $50–60 million per month.

$200 MILLION CAPITALIZATION FOR BANK FUND

[Dollars in millions]

	Appropriations request	
	Fiscal year 1982	Fiscal year 1981 rescission
Title I—Bank fund	$63	0
Title II—Self help fund	0	$15
Salaries and expenses	0	0
Total	63	15

IMPACT ON THE MISSION OF THE BANK

The action suggested above would result in an additional $63 million which, when added to the $137 million accumulated through fiscal year 1981, would bring the total capitalization to $200 million for the Bank Fund at the end of fiscal year 1982.

The Self Help Fund would be maintained at $21.6 million cumulative in fiscal year 1981. This option would not only mean an overall reduction of the program but would transform the Fund into a revolving fund, eliminating the need for appropriations. Technical Assistance would be provided through income from Self Help Fund beyond fiscal year 1981.

SUMMARY

Banks serving a national market operate with assets of at least $1 billion, the level required to cover the costs of nationwide staffing and loan servicing. The National Consumer Cooperative Bank is generating a loan demand sufficient to operate nationally (see page 2). The NCCB could continue to operate at less than $1 billion in assets—but not as a national bank, executing the mandate of the Bank's Act—by concentrating on larger loans, with higher ratios in housing than allowed under the Act. For instance, commercial banks below $100 million in assets place 44 percent of their portfolios in housing, while $1 billion banks average only 28 percent. Similarly, if inadequately capitalized, the NCCB would not achieve the goal of 35 percent low income loans mandated in the NCCB Act, which was predicated on covering servicing costs through a nationwide program. A smaller program would inevitably mean concentration of activity on larger loans at the expense of smaller, developmental projects.

Since Wall Street investment houses state that it will be a considerable period before the NCCB will be able to leverage its capital more than four or five times, a capitalization of $200 million is required to reach the $1 billion level.

LINE OF CREDIT

A proposal that would keep the fiscal year 1981 NCCB budget intact (without rescission), while providing a back-up Line of Credit for $100 million to facilitate sales of debentures in private capital markets.

[Dollars in millions]

	Appropriations	
	Fiscal year 1981	Fiscal year 1982
Title I—Bank fund (CUME)	$137	0
Title II—Self help fund (CUME)	37	0
Salaries and expenses	8	0

IMPACT ON THE MISSION OF THE BANK

The above proposal would provide a back-up $100 million Line of Credit. Essentially, the Line of Credit would accelerate the NCCB's capacity to leverage its capital, allowing for somewhat expanded loan operations. The Self Help loan activity would be reduced.

SUMMARY

The Line of Credit alternative enables the NCCB to continue operations. It also enables the Bank of achieve a faster entry into the capital markets. The Bank will be able to leverage its capital by a ratio of about 1:1, and to be able to service more of its $450 million backlog in demand, which is accelerating at an average increase of $50–60 million per month.

Nonetheless, a Line of Credit would not permit the Bank to operate a national lending program of the magnitude needed to comply with the mandate of the Act (see previous page).

HOUSING LOAN POLICIES

Question. The overwhelming percentage of loans made by the Co-op Bank has gone to housing cooperatives. The Charter of the Bank limits loans to housing co-ops to 30 percent of the Bank's portfolio.

Isn't the Bank well on its way to violating its Charter. Also, why the great need for housing credit when HUD, through its own programs, can provide these services?

Answer. To the extent that the NCCB assists housing, it does so unlike any other federal entity. HUD has no program which makes direct loans to housing cooperatives; its assistance consists generally of insuring loans to cooperatives made by private lenders. The Co-op Bank, on the other hand, has made only one loan that is FHA-insured. Thus, the Bank is actually reducing Federal instrusion in the marketplace. The Co-op Bank also provides a viable alternative to tenant organizations and localities which are fighting condominium conversions. By its willingness to lend to tenant groups for cooperative formation, the Co-op Bank is reducing displacement, without additional governmental regulation and financial assistance. Furthermore, the NCCB is in the process of creating a secondary market for housing cooperative mortgage loans. Other secondary market institutions have been reluctant to do so, because of the differences between cooperative unit loans and ordinary home and apartment mortgages. This lack of a secondary market makes it virtually impossible for individuals to obtain from commercial banks or savings and loan institutions a loan for the purchase of a cooperative unit. The limit on loans to housing cooperatives was purposely set to take effect in 1983 because Congress knew that the Co-op Bank, in order to succeed, would need a stable portfolio. Housing loans provide the most stability and so the Bank is making more of these loans in the early years of its existence. In addition, the limit is not realistic at this time, because it was based on the assumption that the Co-op Bank would receive $300 million from the Treasury Department and borrow additional funds through the authority granted it by Section 107 (12 U.S.C. 3017) of the Bank Act. The 30 percent limit is derived from the experience of other banks of similar size. However, it does not appear that the Co-op Bank will grow to the size originally intended and the limit should be reassured in view of that fact.

Question. Does the bank help refinance co-ops and what percentage of your loans have been used for the purpose?

Answer. Yes the bank has helped refinance co-ops, to date, 11 percent of our loans have been used for this purpose.

Question. What percentage of funds have been used for rehabilitation of co-op buildings, improvements of co-op facilities and working capital or operating costs?

Answer.

(a) Rehabilitation or improvement of co-op facilities—19 percent.

(b) Working Capital—17 percent.

(c) Operating Costs—0.

CO-OP WORKING CAPITAL

Question. How do you define working capital and how does it differ from operating costs?

Answer. The Bank defines working capital as the ability of a cooperative to finance basic current operations on a day-to-day basis. This is generally financed from equity and retained earnings plus term loans and what business creditors are able to finance in the regular course of doing business. The needs of a cooperative

for financing day-to-day business however may vary due to an increased seasonal volume of business, increases in inventory in anticipation of seasonal sales, etc. These seasonal needs are termed seasonal working capital needs. Operating costs are those costs associated with the daily operation or administration of the cooperative such as salaries, utilities and general operating expenses.

WEDNESDAY, APRIL 8, 1981.

CONSUMER PRODUCT SAFETY COMMISSION

WITNESSES

STUART M. STATLER, ACTING CHAIRMAN
R. DAVID PITTLE, COMMISSIONER
EDITH BARKSDALE SLOAN, COMMISSIONER
SAM ZAGORIA, COMMISSIONER
RICHARD A. GROSS, EXECUTIVE DIRECTOR
MARGARET FREESTON, ACTING GENERAL COUNSEL
RICK TINSWORTH, ACTING DIRECTOR, OFFICE OF BUDGET, PROGRAM PLANNING AND EVALUATION

	1980 actual	1981 Reagan estimate	1982 Carter	1982 Reagan
Appropriation	$41,328,000	$42,140,000	$44,559,000	$32,983,000
FTE	978	891	942	697

Mr. BOLAND. The Committee will come to order.

We are very pleased to have with us this morning the Consumer Product Safety Commission. We welcome back Stuart Statler, as Acting Chairman; Commissioner R. David Pittle, Commissioner Edith Sloan, Commissioner Sam Zagoria, and Executive Director Richard A. Gross.

We wish to welcome Margaret Freeston, Acting General Counsel; and Rick Tinsworth, Acting Director of the Office of Budget Planning and Evaluation. Since you have not appeared before us previously, we will place your biographical sketches in the record at this point.

[The biographical sketches follow:]

MARGARET A. FREESTON

Margaret A. Freeston is currently Acting General Counsel of the Consumer Product Safety Commission (CPSC). In that capacity, Ms. Freeston is the Commission's principal legal advisor on matters before the CPSC, including all regulations, rulemaking and adjudications. She also supervises Commission litigation.

Ms. Freeston has served as Deputy General Counsel of the CPSC since May 1977. Prior to that, she was Special Assistant to the General Counsel and Assistant General Counsel for Regulatory Affairs. She has also served as an attorney with the Economic Development Administration and the New Haven Legal Assistance Association.

Ms. Freeston is a graduate of Mount Holyoke College and the Georgetown University Law Center.

RICK TINSWORTH

Rick Tinsworth is currently the Acting Director of Budget, Program Planning and Evaluation of the Consumer Product Safety Commission. In that capacity, Mr. Tinsworth manages the Commission's budget, planning and evaluation programs.

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Mr. Tinsworth was named the Commission's Associate Executive Director for Field Operations in 1979. Since that time, he has also served on a temporary basis as the Associate Executive Director for Compliance and Enforcement. Prior to that he has served as the Commission's Assistant Associate Executive Director for Compliance and Enforcement and Deputy Director, Bureau of Compliance.

Mr. Tinsworth is a graduate of Providence College.

Mr. BOLAND. You have a very fine statement here—I take it you do not agree with the administration on the reductions. I must say, after reading the statement and looking at the cuts, you are faced with "unsurmountable opportunities", as Pogo would say.

Mr. STATLER. And economic difficulties, also.

Mr. BOLAND. I notice you wrote a nice letter to Speaker O'Neill. I wonder, did you receive a response?

Mr. STATLER. I did not expect a response. It was a letter of transmittal.

Mr. BOLAND. You stated your position and that of the Commission very clearly. You indicated you were "reluctantly" submitting an amended budget for fiscal year 1982. As I read the justifications and some of the arguments included in your statement, I find that your reluctance increases with every page.

Still, we are glad to have you. Please proceed with your statement; then we will turn to the justifications.

OPENING STATEMENT

Mr. STATLER. On behalf of the Consumer Product Safety Commission, I welcome the opportunity to appear before you, Congresswoman Boggs and Congressman Green. I am pleased to discuss the Agency's budget request for fiscal year 1982. With your permission, Mr. Chairman, I will offer a complete statement for inclusion in the record, and present a summary this morning.

The budget request before the Subcommittee is submitted in accordance with the President's recommendation for the Commission in fiscal year 1982: $32,983,000 and 697 full-time equivalent positions. This reflects a proposed cut of substantial magnitude from our January 1981 submission and our fiscal year 1981 spending level.

The Commission believes, as the letter indicates, it has an obligation to alert the subcommittee that we have serious concerns about our ability to carry out our statutory mandate at the proposed $33 million level. We share a commitment to reducing Federal spending. In our case, however, the proposed cutback goes well beyond that and threatens to impair the Agency's capacity to fulfill its mission to protect the American public against unreasonable risk of injury.

With concentrated effort, we believe we now have a cost-effective and responsible Commission, operating on a bare-bones, no-frills basis. Critically important programs will suffer severe impacts if cutbacks of the size reflected in the current request are imposed on top of the cost-efficiencies we have already achieved.

With respect to regulatory and administrative improvements in recent years, reforms in our regulatory process have made the Agency cost-effective and responsible. We have (1) set priorities to target the most significant hazards, particularly those from which consumers cannot adequately protect themselves; (2) we have become a recognized leader among Federal agencies in performing

cost-benefit analysis of proposed rules; and (3) we have saved substantial sums by making management more efficient. I will discuss each of these in turn.

TARGETED PRIORITIES

The Commission is no longer subject to the criticism that we had over the years dissipated our resources on priorities numbering in the hundreds. We are now working from a list of 12 priority projects for 1981. In setting priorities we consider the severity of the risk, the size and characteristics of the population exposed (e.g., infants and the elderly), and the circumstances of the exposure (whether foreseeable or avoidable). Careful priority setting ensures that we concentrate our resources on the most serious hazards.

COST-BENEFIT ANALYSIS

With respect to effective use of cost-benefit analysis, the Commission is in the forefront of Federal agencies in performing cost-benefit analysis of its actions. Our proposed regulations under section 9(c) of the Consumer Product Safety Act establish a clear framework for assessing costs and benefits of our actions more comprehensively than ever before. Even though that only applies to the Consumer Product Safety Act, we apply it to all five of the Acts under our jurisdiction.

The Commission will issue a standard or a ban only if a product poses an unreasonable risk of injury. We have no authority to seek the attainment of "zero risk," and in practice have not sought to mandate a risk-free society.

ADMINISTRATIVE ECONOMIES

To get the most for each dollar spent, the Commission has streamlined its management and aggressively pared expenditures, becoming much leaner and more efficient than it was a few years ago. Just a few examples:

—we reduced expenditures for outside contractors by 15 percent last year;

—we scaled down data-gathering procedures, saving $300,000 annually;

—we reduced fourth-quarter fiscal year 1980 contract spending to 24 percent of the year's total contracting expenditures, down from 48 percent during the final quarter of fiscal year 1979; and

—we reduced travel expenditures by $379,000, almost 30 percent during fiscal year 1980.

These and other efficiencies have made it possible for the Commission to stay within its budget over the past four years, notwithstanding that during that period we have received no real increases and we have had a 26 percent decrease in actual spending.

COMMISSION ACCOMPLISHMENTS

The Commission's thoroughgoing reform efforts are producing worthy results. Since mid-1978, five major mandatory rules have gone into effect, and two others have been promulgated. Approxi-

mately 100 deaths and more than 90,000 injuries will be prevented each year when these rules are fully implemented. Further, some 200 deaths and 125,000 injuries will be prevented when industry-adopted voluntary standards, stemming from cooperative activities with CPSC, have their full impact. Finally, as a result of the Commission's actions under section 15 whereby we seek corrective actions, including recalls, we have avoided untold tragedies and removed thousands of potentially lethal products from consumers' hands over the same period.

Notwithstanding substantial progress in reducing injuries and deaths from these actions, the Commission's job is far from done. And if David Stockman in his comments thinks otherwise, I would have to disagree. Serious hazards remain. Some 33 million product-related injuries occur each year, many of them preventable at reasonable costs. New products and product uses and new or emerging hazards will continue to require the Agency to take responsible action in the future.

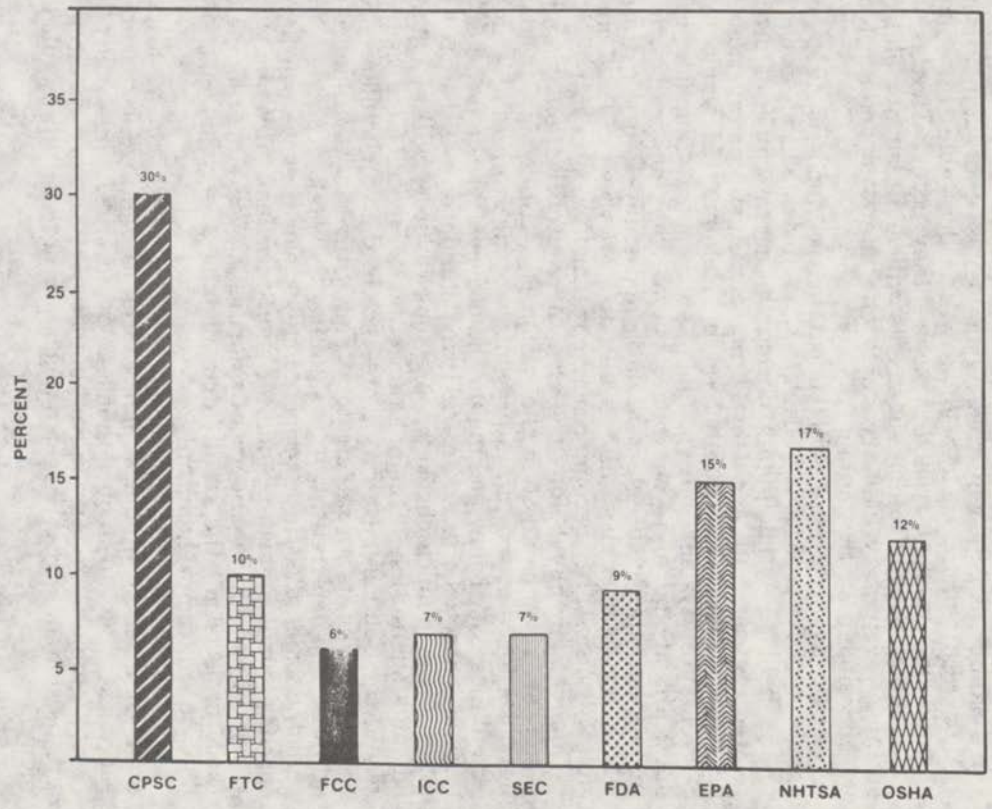
IMPACT OF THE PROPOSED BUDGET CUTBACK

The reductions contained in the current budget request—about 30 percent fewer dollars, and a personnel cut from 942 to 697 FTE positions from the projected current services level for 1982—will have a serious impact on the Commission's ability to function effectively.

In that context, I would like to share with you a chart the Commission has prepared in that respect. It is in front of you. This compares the Commission's budget cut of 30 percent which you see all the way over to the left to related percentage cuts of other Federal health and safety agencies, and we have added in here the FTC, which some argue is not a consumer protection agency. You see our cut is more than twice as much as for any other agency with the exception of NHTSA, and in some cases four or five times as much.

[The chart follows:]

FY 82 BUDGET REDUCTIONS FOR
SELECTED REGULATORY AGENCIES



We cannot explain why this Agency got so thoroughly slashed. As a result of these slashes, we will be less able to anticipate hazards and prevent tragedies before they occur. That is what Congress wanted us to do. These cuts will diminish our ability to encourage voluntary industry safety efforts and to deter potential irresponsible industry actions.

Specifically, field staff will be cut by as much as 40 percent, about 115 FTE positions. In-depth injury investigations performed in the field, essential in pinpointing the actual cause of product-related injuries, will be cut by 20 percent. Further reductions will be required in funds allocated to the National Electronic Injury Surveillance System—our primary source of nationwide injury data, already pared to the bone. These reductions will seriously impair our ability to detect hazards and study injury patterns—which is fundamental to almost all our agency work. The Commission will necessarily become reactive rather than preventive.

In my testimony before the Senate reauthorization committee yesterday, I compared it to the notion of a cliff which, instead of having a fence at the top to prevent someone from falling, has an ambulance crew below picking up the bodies after the fact.

Field inspections to enforce existing standards will be cut by 40 percent. Compliance checks on previous violators will be eliminated, and monitoring of completion rates for recalls reduced. The result: the Commission's broad presence in the marketplace, a very key element in its overall strategy, and critical to its influence as a stimulus and deterrent, will be significantly weakened.

In the aggregate, these proposed cuts mean that we will have to sacrifice our long-term agenda for short-term payoff. While we will maintain our efforts on current priorities, it bears mentioning that these projects are the result, in many cases, of years of effort to analyze and comprehend fully.

A number of specific programs will be cut significantly, including toxic combustion products and efforts to improve the National Electrical Code to reduce household electrical fires. Our "rule review" project for terminating outdated regulatory requirements will be slowed. Other budget impacts are detailed in my full testimony.

Finally, in fiscal year 1982, the Commission may have to spend as much as $3.5–$3.7 million dollars in severance pay and related personnel costs to reduce staff to the levels mandated by OMB. If funds to cover this cost must come from the $33 million budget, then even more drastic program cutbacks will be required.

A REDUCED PRODUCT SAFETY PROGRAM FOR FISCAL YEAR 1982

The Commission will preserve as much work as possible on its current priority efforts, but even these, regrettably, will share cutbacks to some extent. For example, consider two central areas: fire and chronic hazards.

Fire. We will have to cut back our investigation of the fire and toxic fume hazards from increased use of plastics in consumer products. But we will continue our work to reduce the flammability of upholstered furniture; and we will also continue our investigations of, and attempts to remedy, home wiring and heating system fires. This includes our aluminum wire lawsuit.

Chronic Hazards Program. CPSC's Chronic Hazards Program is a viable, cost-effective effort focusing on a modest list of chemical substances in consumer products. We will continue efforts to reduce consumer exposure to products which may cause or contribute to chronic illness or injury, in particular, cancer, notwithstanding program cutbacks made necessary by the fiscal year 1982 budget. We plan to continue a few carefully selected chronic hazard activities including work on asbestos, consumer products causing indoor air pollution, and plasticizers.

The Commission's budget document provides the details on the balance of what we believe we can do with the $33 million budget.

In testimony three weeks ago, before the House Subcommittee on Commerce, Consumer and Monetary Affairs, OMB Director David Stockman said that the budget reductions are "part of the Administration's efforts to redirect regulatory policy."

I would like to emphasize that because he made it clear these were not budget cuts, but an effort to redirect regulatory policy. We believe that our recent record demonstrates that the Commission's regulatory policy has already been judiciously redirected. The CPSC is cost-conscious, effective, and responsible.

To the extent that further redirection of the Commission is needed, we seek the guidance of the Congress. We want to avoid an erosion of public confidence in the safety of consumer products and in the ability of the only Federal program to protect against unreasonable risks of injury and death from these products.

That concludes my prepared statement. My fellow Commissioners and I will be happy to respond to your questions.

[The written statement follows:]

On behalf of the Consumer Product Safety Commission, I'm pleased to be here today to discuss with you the agency's budget request for Fiscal Year 1982. This request -- for $32,983,000 and 697 full time equivalent positions -- is based on the President's recommendation for a significantly reduced funding level for the Commission. The amount requested is less than our January 1981 request ($44,559,000), submitted jointly to the Congress and the Office of Management and Budget. It is also a significant decrease from our spending level this year ($42,140,000).

My fellow Commissioners and I recognize the need for the Commission to contribute to the effort to hold down government spending. We are submitting this budget in accordance with the OMB recommendation. However, at a funding level of $33 million, the Commission will be limited to a minimum product safety program.

Since its last reauthorization in 1978, the Commission has completed a number of administrative and regulatory reforms making it today an efficient, effective, and responsible regulatory agency. The Commission is now operating on a bare-bones, no-frills basis. We would be remiss in our responsibilities under the law if we did not inform you that at the $33 million level, the Commission's continued ability to carry out its mandate to protect consumers against unreasonable risks of injury may well be seriously compromised.

The Commission's Cost-Effectiveness

We have worked hard to reform our regulatory process to make the agency cost-effective and responsible. We have (1) set priorities to target the most significant hazards, particularly those from which consumers can not protect themselves; (2) become a recognized leader among federal agencies in performing cost-benefit analysis of proposed rules; and (3) saved substantial sums by making management more efficient. Let me discuss each of these in turn.

(1) Targeted priorities

Our priority setting reflects careful application of the Commission's criteria for selecting projects. The Commission looks first at its injury data to identify products which are involved in frequent, serious accidents. We look to see how widely these products are used. We next look to see if particularly vulnerable populations -- for example, children or the elderly -- are affected by a specific product hazard. We consider whether the hazard is foreseeable or avoidable -- that is, whether it is a hidden hazard. Cancer causing substances, for example, are usually in this category. We also look to the intensity and duration of exposure to the risk, and to when and where exposure occurs.

The Commission's application of these criteria has produced a list of twelve priority projects, all concerning significant product hazards. We are no longer subject to the criticism that we dissipate our resources

on priorities numbering in the hundreds. The priorities we have selected using this approach are reflected in our budget request, and are described briefly in an attachment to this statement. This targeting helps ensure the most cost-effective use of Commission resources.

(2) Effective Use of Cost-Benefit Analysis

The Commission is in the forefront among federal agencies in performing cost-benefit analysis of its proposed regulatory actions. Our proposed regulations under Section 9(c) of the Consumer Product Safety Act establish a clear framework within which the agency will assess costs and benefits of proposed actions more comprehensively than ever before.

Both the Regulatory Council and Murray Weidenbaum, now Chairman of the President's Council of Economic Advisors, have praised CPSC for its careful attention to, and analysis of, costs and benefits. Mr. Weidenbaum said CPSC is "the only body ... really weighing costs imposed against benefits that might be gained." The Regulatory Council named CPSC as one of the three best federal agencies in determining the costs and benefits of its regulations.

In assessing product hazards, the Commission adheres carefully to the primary guiding principle of the Consumer Product Safety Act, that the agency issue a standard or a ban only if a product poses an unreasonable

risk of injury. The Commission has no authority to seek the attainment of "zero risk," and in practice has not sought to mandate a risk-free world. Moreover, our consideration of the level of risk is always related to the projected economic consequences of a standard. For example, in seeking to reduce power mower injuries, the Commission addressed only the most serious hazard, blade contact, and left for later consideration the need for measures to address lesser hazards, such as those from thrown objects and electric shock.

(3) Administrative Economies

To assure that it gets the most for each dollar spent, the Commission has streamlined its management and aggressively pared down expenditures, becoming a much leaner and more efficient organization than it was a few years ago. Some examples:

-- In 1978 and 1979, we conducted a complete civil service classification review, resulting in grade reduction or other corrective actions for 178 over-graded positions or about 20% of the Commission's total 1979 workforce;

-- We reorganized our Office of the General Counsel and Directorate of Compliance and Enforcement last year, consolidating all federal court litigation in the Office of the General Counsel, and placing all compliance and enforcement attorneys in one division, under one supervisor;

-- we reduced expenditures for outside contractors by 15% last year, and returned $764,000 in unused funds to the Treasury;

-- we scaled down data-gathering procedures, saving $300,000 annually;

-- we consolidated our engineering laboratory capability;

-- we reduced fourth-quarter FY 1980 contract spending to 24% of the year's total contracting expenditures, down from 48% for the final quarter of FY 1979; and

-- we reduced travel expenditures by $379,000, almost 30%, during FY 1980.

These and other efficiencies have made it possible for the Commission to stay within budget over the past four years -- a period which has seen a 26% decrease in our actual spending power as a result of inflation -- without significantly undercutting expenditures on programs.

The Commission's thoroughgoing reform efforts, including targeting our priorities and carefully assessing benefits and costs, are producing results. Since mid-1978, five major mandatory rules have gone into effect. These are for unstable refuse bins, CB and TV antennas, sharp points, sharp edges, and small parts in toys. Two others have been promulgated covering unvented gas space heaters and lawn mowers. We estimate that approximately 100 deaths and more than 90,000 injuries will be prevented each year when these

rules are fully implemented. Further, some 200 deaths and 125,000 injuries will be prevented when industry-adopted voluntary standards, stemming from cooperative activities with CPSC, have their full impact. These voluntary standards affect bathtubs and showers, ladders, tap water scalds, playpens, strollers, extension cords and Christmas tree lights. Finally, corrective actions, including recalls, have avoided untold possible injuries and removed thousands of potentially lethal products from consumers' hands over the same period.

Progress on the Commission's priority projects is one clear measure of Commission achievement. In FY 1980, the Commission selected 14 projects for priority attention; by FY 1981, sufficient progress had been made on five of these so that they have been removed from the list. The five address particular hazards associated with space heaters, tap water scalds, CB antennas, cellulose insulation and projectile toys.

While the Commission has made substantial progress in reducing injuries and deaths from unreasonable risks in consumer products, it is important to note that the Commission's job is far from done. Many serious hazards remain in our current listing of priorities. Moreover, it is quite apparent that new hazards will require priority action after current priorities are addressed. The agency estimates that 33 million product-related injuries occur each year, many of them preventable at reasonable costs. New products and new

hazards will continue to require agency attention. Of last year's recalls, fully one-fourth involved products or uses that didn't exist in 1973.

Impact of the Proposed Budget Cutback

In order to understand the true impact of the proposed budget cuts, the regulatory approach Congress intended for CPSC and our regulatory strategy incorporating that approach must be kept in mind. As indicated, we target our resources on unreasonable risks of injury, and on a manageable number of the most important ones. We have broad regulatory authority but we use it only when necessary and when voluntary measures have proven to be ineffective. In selecting top priority projects, the Commission seeks -- when the facts permit -- to include a cross-section of mechanical, electrical, fire and chemical hazards, in order to convey the Commission's broad presence in the consumer marketplace. The significance of this approach lies not solely in reducing the number of deaths and injuries through direct Commission action. Our ongoing presence strongly encourages voluntary industry safety efforts and serves as an incentive for added care in the design, production, and distribution of consumer products.

I stress the Commission's approach because the reductions contained in the current budget request -- about 30% fewer dollars and a personnel cut from 942 to 697 FTE positions from the originally projected current services level for

1982 -- will have a serious impact not only on specific Commission activities, but, more importantly, on the capacity of the Commission to continue its cost-effective, selective regulatory strategy.

- The principal effect of the cutbacks (even with the Commission making every effort to avoid cutting priority projects, as it has) will be to impair our ability to anticipate hazards and prevent tragedy before it occurs; and, by requiring our field and enforcement capability to be slashed, the cuts will diminish our ability to encourage voluntary industry safety efforts and to deter potential irresponsible industry actions.

Specifically, our field staff will be cut by as much as 40%, about 115 FTE positions. Our in-depth injury investigations performed in the field, which are essential in pinpointing the actual cause of product-related injuries, will be cut by 20%. Further reductions in funds allocated to the National Electronic Injury Surveillance System, the agency's primary source of nationwide injury data, already pared to the bone, are likely to be required. These reductions will seriously impair the agency's ability to detect hazards and study injury patterns -- an ability which is fundamental to almost all Commission activities. The Commission will necessarily become reactive rather than preventive -- spending more time, for example, responding to hazards we are urged to address by sources outside the Commission, and being less

able to identify and act on hazards turned up by the Commission's internal data analysis activities.

Inspections to enforce existing standards, also performed in the field, will be cut by 40%. Compliance checks on previous violators will be eliminated and monitoring of completion rates for recalls will be reduced. The result: the Commission's broad presence in the marketplace, a key element in its overall strategy, and critical to its influence as a stimulus and deterrent, will be significantly weakened.

In the aggregate, these proposed cuts mean that we will have to sacrifice our long-term agenda for short-term payoff. While we will maintain our efforts on our current priorities, it bears mentioning that these projects are the result, in many cases, of years of effort. Under the reduced budget, we will be unable to invest resources in new or emerging projects that may take years of effort to analyze fully. Complex projects like chain saw kickback or upholstered furniture flammability may be more difficult to undertake in the future since their complexity means that progress each year will necessarily be interim, with little or no results to show. This, in short, may constrain future efforts to keep the most significant hazards on the Commission's list of priority projects.

Impacts of the proposed budget cutbacks on specific programs include:

Reduced Program Addressing Chronic Chemical Hazards. The chronic hazards program would be cut almost in half -- over $1.8 million dollars. This program deals with substances in consumer products which cause cancer, birth defects and genetic damage -- often years after exposure. Agency efforts concentrate on cancer hazards. Under the proposed budget cut, Commission activities to determine which carcinogens are present in consumer products, in a form which makes human uptake likely, would have to be drastically curtailed. For example, work on potentially hazardous dyes in consumer products will be cut in half. Some 14 dyes are known carcinogens. Another 265 dyes related to these known carcinogens must be considered possible hazards.

Cutback of Toxic Combustion Projects. Toxic combustion products posing a smoke inhalation hazard, are responsible for more than half of the 7,800 annual fire deaths in the U.S. Funding to identify and address these products would be cut by 40%.

Termination of Efforts to Improve the National Electric Code. The Commission would discontinue its work with state and local building code officials to improve the National Electric Code. Improvements in the code could help reduce 75,000 household electrical fires which occur each year.

Delays in Implementing Reforms. Efforts to accelerate the Commission's handling of petitions will be curtailed; the Commission will not always be able to address petitions within 120 days of receipt as required by the Consumer Product Safety Act. Further, the Commision's "rule review" project, under which outdated regulatory requirements are terminated, will be slowed. Finally, the resources devoted to the Commission's program of expedited action on emerging hazards will be reduced.

Scaled Down Information and Education. Efforts to guide consumers to use products safely would be reduced substantially, including providing information to "high-risk" groups -- such as children, the elderly, the handicapped, and minorities. All public service announcements will be eliminated. Distribution of printed materials will be cut 20%, by one million units.

Elimination of Advisory Committees. The Commission plans to recommend eliminating all of its advisory committees, including the Toxicological Advisory Board. The Board provides expert advice on labeling hazardous chemical products. Almost a quarter of a million

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Americans, including 110,000 children under 5 years of age, were treated for poisonings, burns and other injuries caused by chemical products in 1977.

Further, in FY 1982, the Commission will have to spend approximately $3.7 million dollars in severance pay and related personnel costs to reduce its staff to the staffing levels mandated under the proposed $33 million dollar budget. If funds to cover this cost must come from that budget, then even deeper cutbacks in Commission activities will be required.

A Reduced Product Safety Program for FY 1982

Under the limitations on funds and personnel reflected in the request for FY 1982 currently before the Congress, the Commission could continue, but with a substantially reduced product safety program. Our objective in determining what we would continue at the $33 million level was to preserve as much of the Commission's work as possible on the priority efforts.

However, not all work on our priorities can be sustained. For example, in two central areas, fire and chronic hazards, important program components would have to be cut back.

The following descriptions of a sampling of projects from our 1982 budget indicate the reduced Commission activity that can continue in key areas:

Fire. Fire is the fourth leading cause of death in the United States and the U.S. suffers twice as many fire fatalities per capita as the average for all western industrial nations. While we will have to cut back our investigation

of the fire and toxic fume hazards presented by the increased use of plastics in consumer products, we will continue our work to reduce the flammability of upholstered furniture. (Fires started by smoldering cigarettes now claim at least 1200 lives a year.) We will also continue our investigations of and attempts to remedy home wiring and heating system fires. This includes our aluminum wire lawsuit, which, like the upholstered furniture proceeding, is an example of an extremely complex, long-term project.

Chronic Chemical Hazards Program. The Commission plans to continue efforts to reduce consumer exposure to products which may cause or contribute to chronic illnesses or injury, notwithstanding program cutbacks made necessary by the FY 1982 budget. CPSC's chronic hazards program is a viable, cost-effective effort addressing a modest list of chemicals and substances that can be released from consumer products. The work of the National Toxicology Program enables CPSC to take advantage of basic research on chronic chemical hazards performed by others. The Interagency Regulatory Liaison Group (IRLG) ensures that CPSC's efforts do not duplicate those of other regulatory agencies (such as the Environmental Protection Agency and the Occupational Safety and Health Administration which address other aspects of chronics problems) or impose inconsistent regulatory burdens.

Within this framework, CPSC plans to continue a few carefully selected chronic hazard activities including work

on asbestos, consumer products causing indoor air pollution, and plasticizers (additives to plastics to increase their flexibility and toughness).

Product Correction Efforts. The Commission will set aside significant resources to permit us to analyze and follow-up on reports of possible substantial product hazards. The Commission considers voluntary product recalls and corrections under Section 15 to be a quick and relatively inexpensive way of improving product safety.

Communications and Outreach. Although CPSC's public service announcements, used widely on television and radio, would be dropped because of the budget cuts, the Commission will distribute selected consumer education materials, hazard alert sheets, and recall notices on a variety of products. We will work with industry and with state and local officials in collaborative information and education programs.

The priority projects listed in the Appendix, the projects summarized here and other projects detailed in the Commission's budget request indicate what we believe we can do with the limited resources available in a $33 million budget.

In his testimony on March 16, 1981, before the House Subcommittee on Commerce, Consumer and Monetary Affairs, OMB Director David Stockman said that the budget reductions are "part of the Administration's efforts to redirect regulatory

policy." We believe that our record since our last reauthorization in 1978 demonstrates that the Commission's regulatory policy has already been judiciously redirected. The CPSC today is cost-conscious, effective, and responsible.

We are not unmindful of regulatory burdens and the costs our activities may impose. We focus on serious hazards and do not devote resources to lesser projects. We are careful not to misuse the authorities we have. Rather, we target our resources, and selectively use our regulatory tools. And, in doing so, we've been lauded for being reasonable, and for being a leader in seeking voluntary approaches rather than insisting on imposing mandatory rules.

The real impact of the cuts then will be not to redirect regulatory policy, but rather to undermine the regulatory mission Congress intended for CPSC. In so doing, it may well be that when we next return before this Committee, we will have substantially less to show for our efforts both in terms of injuries and deaths prevented and in terms of overall performance.

To the extent that further redirection of the Commission is needed, we would want the guidance of the Congress. We seek to avoid an erosion of public confidence in the safety of consumer products and in the ability of the only federal program to protect against unreasonable risks of injury and deaths from these products. Mr. Chairman, that concludes my prepared statement on behalf of the Commission. My fellow Commissioners and I will be happy to respond to any questions you may have.

ATTACHMENT

The Commission's Priority Projects for FY 1981

Our priority list for FY 1981 includes 9 items carried over from the previous year, and three new projects. The Commission will not select priorities for FY 1982 until it considers the FY 1982 operating plan late in the summer or early in fall.

Three priority projects carried over from FY 1980 involve chronic hazards -- substances usually undetectable by consumers which can cause disease or death years after exposure. Within the chronics area, the Commission concentrates on products containing cancer-causing substances. Cancer, some portion of which is associated with consumer products, now strikes one in four Americans and kills one in five. The three priorities in this category are:

Asbestos. In FY 1980, the Commission, in cooperation with the Environmental Protection Agency, published an Advance Notice of Proposed Rulemaking to gather information on consumer products containing asbestos, a known carcinogen. Thus far in FY 1981, we have issued a general order to gather a limited, but important, set of facts on asbestos-containing consumer products. We plan to test selected products, determine exposure and risk, and consider appropriate options for reducing the risks found. Our activities will continue to be coordinated with those of EPA.

Benzidine Congener Dyes. The Commission is concentrating on three groups of dyes, all of which may prove to be carcinogenic in humans and which are packaged for the home dyeing market. The Commission is examining the risks these dyes may pose to consumers and considering measures to address the risks.

Formaldehyde. The Commission has proposed a ban of one product containing formaldehyde, urea formaldehyde foam insulation, which can release formaldehyde into the home

environment. Public and industry comments are now being analyzed. The Commission is also concerned with formaldehyde in other consumer products, especially in view of a FY 1980 report by a federal panel of experts recommending that formaldehyde be presumed to be carcinogenic in human beings. If hazards are found, in formaldehyde release from other products, the Commission will look towards voluntary, cooperative efforts with industry.

Our remaining carry-over priorities from 1980 concern acute hazards. Such hazards present the risk of immediate injury by fire and thermal burn, electrical, or mechanical means, and from exposure to chemicals in consumer products with a potential for causing immediate illness or injury. These include:

Aluminum Wiring. We hope that in FY 1981, the U.S. District Court for the District of Columbia will resolve the jurisdictional issues in our suit to require 26 manufacturers to give widespread public notice and to repair wiring systems posing a potential serious fire hazard in more than 1.5 million homes. If the court rules in the Commission's favor, the matter will proceed to trial on the merits.

Chain Saws. About 23% of the 100,000 chain saw injuries in 1979 involved chain saw "kickback," when during normal use, the saw suddenly and unexpectedly moves upward and rearward toward the user's face and shoulders. The Commission is developing a mandatory standard addressing kickback and closely related hazards. At the same time, we are leaving open the option of supporting a voluntary standard being developed by industry.

Coal and Wood Burning Stoves. Increasingly popular as less costly alternatives to gas, oil, and electricity, these stoves can pose serious fire hazards if improperly installed or inadequately maintained. An estimated 14,000 fires and 115 deaths annually are associated with such stoves. Later this year, the Commission will consider final action on a labeling rule proposed in November 1980.

Cribs. Early in FY 1981, the Commission proposed an amendment to its crib regulation to deal with potentially fatal head entrapment in the cut-out designs of certain crib headboards and footboards. This year, the Commission will consider a rule prohibiting such hazardous designs.

Plastics Flammability. The Commission plans to continue a three-year effort to identify plastics that increase fire risks because of unusual flammability or because they can produce particularly toxic fumes when they burn. We also plan to develop small-scale test methods to evaluate such hazards.

Upholstered Furniture. The Commission has been monitoring and evaluating a voluntary industry plan to reduce upholstered furniture's susceptibility to ignition by cigarettes. Fires of this type kill at least 1200 people and seriously injure another 3700 each year. During FY 1981, we expect to decide on what further action -- mandatory or voluntary -- is appropriate.

The three new projects added to our priority list this year are:

Electric Blankets. In 1978, there were an estimated 2200 fires, 15 deaths, and 100 consumer injuries associated with electric blankets. As more consumers turn down their household thermostats, the number of blanket-related fires is likely to increase. The Commission is studying the fire hazards of electric blankets, and expects to press its ongoing evaluation of proposed improvements in existing voluntary standards, and to continue an evaluation of new blanket designs.

Indoor Air Pollution. Indoor air pollution -- resulting from building materials and fuel-fired home appliances, for example -- may pose more serious health hazards than outdoor air pollution, since Americans spend 70% to 80% of their time indoors. Harmful pollutants including radon, formaldehyde, carbon monoxide and nitogen dioxide are found in air in homes. Current efforts to insulate and seal air leaks in homes to conserve energy may make this problem worse. We have been working with other federal agencies on this problem, and, at our suggestion, the Interagency Regulatory Liaison Group has established a special task force to coordinate research and regulatory action in this area.

House Wiring. About 143,000 home electrical fires occur annually. With the aid of detailed fire reports from the U.S. Fire Administration, we are investigating defects and hazardous conditions in wires, cables, connectors, switches and overcurrent protection devices. We will consider the need for product standards or for changes in existing standards or codes.

Outside these priority hazard projects, the Commission has emphasized two additional key program areas on a continuing basis -- recalls and voluntary standards efforts:

Recalls. The Commission has stepped up its product recalls because these actions solve hazard problems expeditiously and in a cost-effective fashion. Recalls, negotiated with manufacturers and retailers, typically are focused on firms producing defective units of a particular product rather than all producers of such product. This ability to narrowly define the scope of a proceeding conserves CPSC as well as industry resources.

In FY 1980, for example, CPSC conducted a total of 588 recalls affecting more than 26 million product units (including recalls resulting both from enforcement actions directed at products not complying with CPSC standards, and from investigations of products not currently regulated by CPSC). Almost all of these recalls were the result of cooperative CPSC-industry efforts, avoiding lengthy formal proceedings. Currently, some 600,000 potentially dangerous liquid propane gas water heaters are being retrofitted under one of the most extensive recall programs ever undertaken by CPSC. These water heaters, produced between 1964 and 1976, have been involved in at least 23 explosions, resulting in 5 deaths and 16 serious injuries.

Recently the Commission successfully sought to recall approximately 7500 cribs with a hazardous headboard design, allegedly associated wih seven infant strangulations. To facilitate repair of these cribs, the CPSC and the manufacturer fashioned an extraordinary nationwide notification campaign, which has been 60% successful to date.

Voluntary Standards. The Commission has consistently turned to supporting voluntary standards in preference to issuing mandatory rules. Over the past three years, for example, CPSC has been involved in some 60 voluntary standards development projects as compared to less than 10 major mandatory standards promulgated during the same period. Also, since 1973, the Commission has, in a number of instances, begun a rulemaking proceeding to address an unreasonable risk of injury and then deferred mandatory action because an industry developed or amended a voluntary standard which promised to adequately address the risk. Just last month, for example, the Commission decided not to proceed with a mandatory

standard for miniature Christmas tree lights because Underwriters' Laboratories and the industry trade association adopted upgraded voluntary standards containing many of the Commission's proposed provisions.

Other cooperative industry-CPSC voluntary standards development activities have involved products such as ladders, bathtub and showers, hot water heaters, extension cords, and a host of children's articles.

Mr. BOLAND. Thank you for a very fine presentation. I must say, from your presentation, the prospects seem very gloomy in terms of what the Commission can accomplish with this reduced budget.

How old is the Commission now?

Mr. STATLER. The Commission opened its doors in 1973.

Mr. BOLAND. As Chairman of the Committee that has had direct oversight of the Commission for that past four or five years, I believe the Commission, under the direction of Susan King, has redirected its regulatory authority wisely. It has come a long way.

We have some concerns about the dramatic decrease proposed for fiscal year 1982. Hopefully, there can be some adjustment.

President Carter's original January 1982 budget submitted this year included $44,559,000 for the activities of the Consumer Product Safety Commission. The revised budget submitted by President Reagan on March 10 reduced that by $11,576,000—and 245 FTE—for a new total of $32,983,000 and 697 FTE.

That is a substantial reduction of approximately 25 percent, and obviously implies something more than just saving money on the part of the new Administration. It would appear that the budget request currently before us suggests a totally different ideological view of the Commission's responsibilities. Please expand on that theory for us, and tell us whether you believe that is the case, or not.

LAWN MOWERS

Mr. STATLER. I do agree with your assessment; I think it represents a different ideological view of what the Commission is all about. It is clear from comments made yesterday in testimony before the Senate Consumer Subcommittee, by Jim Miller, who heads OMB's regulatory effort, that they would prefer this Agency to do far more in the area of information and education, to the exclusion of regulatory matters. The particular example he cited was in the case of lawn mowers, where we now have a performance standard which has been upheld by the courts. Mr. Miller thought it would be more appropriate simply to give information to consumers to keep their hands and feet from the bottom of lawn mowers. The industry has sought to inform the consumer; nevertheless, we still have approximately 80,000 blade contact injuries a year from lawn mowers. Simply more education is not going to do it. The industry had a voluntary standard in effect since 1972. It did not work. Our own statistics and estimates indicate that by virtue of the standard that will go into effect in June of 1982 many injuries will be prevented. Nonetheless, a belief in the value of public information was reflected in the transition team report, and I believe it was reflected again in the OMB cuts, and still more yesterday in the testimony from Mr. Miller.

Mr. BOLAND. You mentioned lawn mowers. As you know, the Commission opposed a delay in the implementation of the power mower standard, but in conference it was agreed that the standard be delayed for six months, from December of 1981 to June of 1982. The industry made a case that Congress would catch them in the middle of a production cycle if the standard became effective in December. If you read their argument, there would be some reason-

ableness to what they say. What is the standard that the industry is to meet by June 30, 1982?

Mr. STATLER. Industry preparations are under way, and I have not seen anything to indicate that they cannot meet the effective date for that standard. It is the view of this Commission, having dealt with their request for the six-month postponement, that no additional time was necessary. But unless the industry is granted more time or some other standard or a revocation of what we have already done, I would expect that standard to go into effect and be complied with as of that date.

Mr. BOLAND. I certainly would not support any extension beyond June 1982. I cannot imagine any product that requires regulation more than power lawn mowers. The alarming statistics of serious injuries reflects that need.

In the transmittal letter you sent to the Speaker of the House, you indicated that the Agency would be seriously disrupted and demoralized as a result of this cut. If the effect of this cut, albeit large, is so detrimental to the operation of the Commission, why shouldn't the Congress rescind all monies and abolish the CPSC?

Mr. STATLER. I think that would be a more tragic mistake.

Mr. BOLAND. You are only going to have the job you are mandated to do under the basic legislation, so that is about what you are basically saying.

CPSC PRIORITIES

Mr. STATLER. I think I would phrase it as we did have in our testimony, namely, that we have priorities, we are dealing with those priorities, we believe we can fulfill those priorities.

Mr. BOLAND. Do I understand correctly that you are saying you are going to do the best you can with the $33 million?

Mr. STATLER. That is right.

Mr. BOLAND. At the hearings last year, you indicated that the priorities of the Commission needed to be reexamined. As I indicated, it is my view that Chairman King had made considerable efforts to reorder the priorities and to trim back a number of projects underway. Is the Commission continuing in that spirit?

Mr. STATLER. We, on a regular basis, do change our priorities when projects get finished, and we add new priorities when emerging hazards, new hazards come to our attention. But we are disciplining ourselves to focus on a do-able number. We are focusing our resources on that number and are not letting ourselves get sidelined by any issue that may come to our attention through some indirect means and go off and investigate and do a lot of work which is going to take us away from our principal focus.

COMMISSION STRUCTURE

Mr. BOLAND. You indicated to the authorization committees that you feel the Commission would operate more efficiently with a single Administrator, rather than five Commissioners. I know there is no general agreement. I do not know if any of the other Commissioners agree with you.

Mr. PITTLE. You want to take a vote on that now?

Mr. BOLAND. What is your rationale behind this proposal?

Mr. STATLER. It would be hard to make a case whether you have any better decisions made with five people making them, or one. However, one person managing an organization can supervise it better, I believe, than five people. You do not have companies that are headed by five people. You have one chief executive officer running it on a day-to-day basis. You do not have Cabinet departments——

Mr. BOLAND. But you have a lot of regulatory agencies which have more than one.

Mr. STATLER. Of all the health and safety agencies, including OSHA, FDA, EPA, NHTSA, and the Food Safety and Quality Service in the Department of Agriculture, the Nuclear Regulatory Commission is the only exception.

Mr. BOLAND. You indicate having five Commissioners impedes the Commission's ability to accomplish its mission properly.

Mr. STATLER. I have found too often that the key work of the Commission gets sidetracked. The issues get delayed by virtue of one Commissioner having a particular interest in that matter.

Mr. BOLAND. Commissioner Pittle, have you been at the Commission since its creation?

Mr. PITTLE. Yes. I was the last of the five to be appointed in the initial group.

Commissioner Statler and I have a strong disagreement over the effects of collegiality on the efficiency of the Agency. Section 4 of the Consumer Product Safety Act gives all the executive authority to the Chairman subject only to the general policies of the Commission. As long as I have been at CPSC, the Chairman has been the boss on all administrative and executive matters; the things the Commissioners decide are policy and regulatory matters. Quite frankly, I am nervous about putting those decisions in the hands of one person. With a Commission you get several looks at the engineering, the epidemiology, and, most important, at the ultimate policy judgment as to what is an unreasonable risk.

As to efficiency, I have never yet seen anything that was significantly delayed because it took 15 minutes to get the five Commissioners together to talk about it. Administrative powers have always been exercised by the Chairman and, in the past, I have urged each Chairman, including Commissioner Statler, to make sure the staff start a project only when three or more Commissioners agree to give that direction to them. As far as I know that has always been the rule. So I am always befuddled by the argument that we would be more efficient if there were only one of us.

Mr. BOLAND. That sounds good. Commissioner Sloan, I am sure you feel the same way.

Ms. SLOAN. I certainly do. My point of view is very different. I am the first mother to serve on the Commission. I bring the point of view of a minority and woman. I am also the former director of an office of consumer protection. I also bring the point of view of someone born and reared in a so-called disadvantaged neighborhood.

Also it is my feeling that the Agency would be politicized if it had a single administrator. I think that would be a serious mistake.

Mr. BOLAND. One thing about this Commission, it has not been politicized.

Ms. SLOAN. No, it is bi-partisan.

Mr. BOLAND. One of the dangers you point out, is that it could become politicized with just one person running the Commission.

Ms. SLOAN. I believe most corporations, even though they have one executive, they do have boards of directors to whom he has to turn. So it is not one person giving all the orders without anybody to turn to.

Mr. BOLAND. Sam, you are not a neophyte up here. What is your opinion?

Mr. ZAGORIA. I join with Commissioners Pittle and Sloan in opposing it vigorously.

Mr. BOLAND. You would be out of a job.

Mr. ZAGORIA. I am at an age where it does not matter as much as it used to.

Mr. BOLAND. Commissioners Pittle, Sloan, and Zagoria, you make cogent points and we are glad to have your judgments on this.

Mrs. BOGGS. Mr. Chairman, excuse me. I have to be at the other committee at 10:15.

May I compliment the Commissioners on the work they have done, commiserate with them on their present condition, and offer some questions for the record.

[The questions and answers follow:]

Question. Page two of the budget justification says the revised March 1981 request does not include funds for severance pay for the CPSC employees dismissed to achieve savings.

Where will this $3.5 million come from?

Answer. The Commission estimates that funds needed for severance pay and related costs to achieve the 1982 personnel ceiling for CPSC will be between $3,500,000 and $3,700,000. If Congress appropriates more than the OMB proposed budget for CPSC of $32,983,000, the Commission can use the additional funds for the costs generated by a reduction in force. If Congress does not provide additional funds, CPSC will be forced either to request a supplemental appropriation or to reduce or eliminate projects from the $32,983,000 budget request to provide reduction in force funds. The Commission believes that this last alternative would seriously damage the effectiveness of the Agency.

Question. Page 28 reveals that, due to OMB's spending reductions, the Commission will significantly reduce its indoor air pollution project.

This distresses me; for, at the same time Americans are being urged to conserve energy by insulating their homes more tightly and using alternative energy sources, they are forced to risk suffering new hazards caused by build-up of toxic pollutants indoors.

Will you comment on this issue?

Answer. In its January 1981 budget proposal for 1982, the Commission requested $504,000 for salaries and contracts for work involving indoor air quality. The March 1981 Commission budget request includes $166,000 for work on indoor air quality.

When OMB directed the Commission to submit a 1982 budget request for $32,983,000, CPSC was forced to cut $11,576,000 from its January 1981 proposal. Many projects were cut or eliminated to achieve the OMB mark.

The Commission continues to believe that its work on indoor air quality is important as evidenced by the fact that it is currently one of the Commission's hazard program priorities. Although the currently planned funds for the indoor air quality project are significantly less than we originally planned to spend in 1982, the $166,000 is only slightly less than the amount being spent in 1981. And although the agency can only accomplish a portion of the work originally planned for 1982, we are continuing our work in this area within the severe constraints of the $32,983,000 budget proposal.

Question. During fiscal years 1980 and 1981 the Commission published a final rule that would require oxygen depletion sensor systems on all unvented gas heaters, to prevent carbon monoxide poisoning when the heater depletes oxygen. Can you give

me a progress report on this effort? And will the budget revisions affect implementation of the regulation?

Answer. The unvented gas-fired space heater standard was published on September 17, 1980. The standard, as published, had an effective date of June 15, 1981. However, the Commission recently granted a petition to extend the effective date to December 31, 1981. The petitioner noted that some economic loss would occur if the date were not extended.

The Commission is continuing to monitor the development of practical oxygen depletion sensor systems. As far as we can determine, the development is on schedule and sufficient quantities of sensors should be available to heater manufacturers in sufficient time to comply with the rule.

The budget revisions should not affect implementation of the regulation. We do not anticipate the utilization of significant resources to enforce the rule, since there are only five known manufacturers.

Question. Page 15 reveals that the Commission must eliminate planned work on wearing apparel and modifying existing flammability standards. I assume that this is exactly the type of work that led to the Commission's continuing efforts to prohibit the sale of children's pajamas treated with "Tris". Please comment on this.

Answer. Activities, such as the "Tris"-related efforts, are part of our program to enforce existing regulations. The projects on wearing apparel and flammability standards would modify existing regulations.

The wearing apparel project would determine if the flammability hazards of apparel items other than sleepwear are sufficient to warrant appropriate Commission activities. The effort would involve analysis of existing injury and technical data and information, resulting in a report recommending future CPSC actions. The existing standards modification project would incorporate needed amendments of existing flammability standards, including changes to carpet and rug standards, fireworks regulations, and children's sleepwear standards to clarify, simplify, or otherwise improve them.

Question. How safe are the new energy-saving "quartz" heaters?

Answer. The Commission has not made a decision relating to the overall safety of this new product. The Commission staff, however, has received various complaints regarding quartz heaters. Some complaints reported fires caused by the heater being tipped over or because the heater was located too close to furniture. Other complaints involved over-heating and excessive current-flow of the heater.

In January, 1981 the Commission staff completed tests of several different brand name quartz heaters. These tests were conducted to determine whether or not safety problems existed with these heaters that should be addressed with other brands as well. As a result of the testing, Commission staff met with representatives of Underwriters Laboratories (UL) to discuss the test results and to make recommendations for revisions to UL Standard 1025 Electric Air Heaters. Some recommended revisions were:

(1) Require supplementary supports for the quartz tube, which encases the wire heating element, to reduce the possibility of quartz tube breakage and lessen the shock hazard.

(2) Establish a minimum tipover force that would improve the stability of the heater and lessen the possibility of it falling over too easily.

(3) Require tipover switches of the mercury-type design, or a performance requirement for tipover switches to function if the heater falls over in any direction. This would assure that electrical current for heaters, tipped over inadvertently, in any direction would be cut off, thus reducing the possibility of fire if the heater should fall against a flammable object.

(4) Establish a specific angle for tipover switches to cut off electrical power to the heater in order to reduce the risk of fire should the heater come to rest on a flammable material before falling completely over on its side.

UL is currently evaluating the Commission staff recommendations. A meeting between UL representatives, Commission staff and quartz heater manufacturers to discuss proposed revisions to the UL standard is expected in the very near future.

Question. Page 45 indicates that planned public service announcements will be dropped in fiscal year 1982. Many lower income people rely solely on television for information because newspapers are costly and many people cannot read them. Couldn't public information funds be shifted another way?

Answer. Although public service announcements are worthwhile, they are also expensive. With its very limited information and education funds, the Commission has decided to target its resources in a few highly focused, less expensive efforts such as the expectant parents education program, save energy safely project and fire injury prevention information. Meeting the needs of lower income people is an integral component of these focused programs. In addition, the Commission will

meet the needs of lower income groups by publicizing through Community Action Agencies and other organizations the availability of our toll-free Hotline and by distributing print and audio-visual materials to these groups.

Outreach to minorities, low income consumers and other disadvantaged populations is one of the Commission's five priority programs to improve regulatory processes. Despite the large budget cutbacks, CPSC remains committed to this priority effort.

OPINION OF COMMISSIONER SAM ZAGORIA ON COMMISSION STRUCTURE

Mr. ZAGORIA. May I just offer a brief statement on the advantages of the Commission's structure?

Mr. BOLAND. Yes. This is your position on it?

Mr. ZAGORIA. Yes.

[The information follows:]

ADVANTAGES OF THE CPSC COMMISSION STRUCTURE

1. The Commission protects against partisanship, favoritism and unfairness.
2. Group deliberation, drawing upon varied experience and involving the give and take of discussion, is more likely to result in better decisions.
3. The CPSC is a continuing body whose membership includes persons with one to seven years of commission experience. This assures continuity and consistency and is a safeguard against the upheaval of abrupt change.
4. The Commission structure averts the possibility of a professional staff being converted into "yes men" sycophants.
5. The Commission has served as a model for government in the sunshine. Appointments to CPSC technical advisory committees and awards of contracts to State governments have been free of charges of partisanship and corruption.
6. The Commission performs its work expeditiously, as witness the asbestos hair dryer, stuffed animal and TRIS recalls. Its record shows overall effectiveness in saving lives and reducing injuries at reasonable cost.

DISADVANTAGES OF THE SINGLE ADMINISTRATOR STRUCTURE

1. The single administrator plan would vest tremendous power in one person over 2.5 million American firms. The administrator would be empowered to issue a complaint against a company, initiate a ban of a product, commence a mandatory standard, order a compulsory interrogatory or force a recall on his or her judgment alone.
2. The single administrator proposal could politicize this health and safety agency by adding the weight of partisan politics to the scale balancing costs and benefits.
3. The single administrator plan is demonstrably neither speedier nor cheaper. EPA, for example, has an Administrator, a Deputy Administrator, six Assistant Administrators and ten Regional Administrators—18 in all—to make policy. CPSC has a total of five. As for speed, EPA and Food and Drug Administration have often been criticized for their delays in processing.

OPINION OF COMMISSIONER STUART M. STATLER ON COMMISSION STRUCTURE

Mr. STATLER. May I have an opportunity to submit views?

Mr. BOLAND. Yes.

[The information follows:]

RECENTLY, VARIOUS GROUPS AND INDIVIDUALS HAVE PROPOSED TO CHANGE THE CPSC FROM A COMMISSION TO A SINGLE ADMINISTRATOR AGENCY. THE HOUSE SUBCOMMITTEE ON HEALTH AND THE ENVIRONMENT REQUESTED COMMISSION COMMENT ON THE IDEA, A VARIETY OF INDUSTRY GROUPS HAVE ADVOCATED THE CHANGE, AND REAGAN TRANSITION TEAM MEMBERS, ACCORDING TO REPORTS, URGED THAT PROPOSAL. STAFF MEMBERS OF THIS SUBCOMMITTEE ALSO HAVE INQUIRED ABOUT THE CONCEPT.

SINCE THE ISSUE IS NOT DISCUSSED IN THE MAIN COMMISSION TESTIMONY, I WANT TO SHARE MY PERSONAL VIEWS ON THE SUBJECT THROUGH THIS SEPARATE STATEMENT WITH THE CLEAR UNDERSTANDING THAT I AM SPEAKING ONLY FOR MYSELF AND NOT FOR MY COLLEAGUES ON THE COMMISSION. THE CONSUMER PRODUCT SAFETY COMMISSION SHOULD BE REPLACED WITH A SINGLE ADMINISTRATOR. HOWEVER, I WANT TO MAKE CLEAR AT THE OUTSET THE CONDITIONS UNDER WHICH I FAVOR A SINGLE ADMINISTRATOR AGENCY FOR CONSUMER PRODUCT SAFETY.

THERE ARE GOOD REASONS FOR NOT WANTING AN "INDEPENDENT" SINGLE ADMINISTRATOR -- THAT IS, ONE HAVING A SET TERM OF OFFICE AND REMOVABLE ONLY FOR CAUSE. THERE IS NO PRECEDENT FOR SUCH A GRANT OF AUTHORITY IN THE REGULATORY AREA. UNDER ANY SETUP, THE ADMINISTRATOR SHOULD SERVE AT THE PLEASURE OF THE PRESIDENT.

I PERSONALLY PREFER CONTINUING A SEPARATE AND DISTINCT AGENCY IDENTITY. THE IDEAL STRUCTURE, IN MY VIEW, WOULD BE TO

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CONSOLIDATE CONSUMER SAFETY IN ITS BROADER SENSE--MERGING FEDERAL SAFETY FUNCTIONS FROM THE FOOD AND DRUG ADMINISTRATION (FDA), THE NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION (NHTSA), AND THE CONSUMER PRODUCT SAFETY COMMISSION (CPSC) INTO A NEW CONSUMER SAFETY AGENCY. A SINGLE ADMINISTRATOR SHOULD LEAD THE ORGANIZATION, WITH SINGLE EXECUTIVES HEADING UP EACH OF THE THREE DIVISIONS WITHIN THE AGENCY. EACH EXECUTIVE WOULD SERVE AT THE PLEASURE OF THE PRESIDENT, WITH THE TOP ADMINISTRATOR REPORTING EITHER DIRECTLY TO THE PRESIDENT (IDEALLY) OR PERHAPS TO A CABINET SECRETARY.

AN ALTERNATIVE PLAN WOULD CAST ONLY THE CONSUMER PRODUCT SAFETY FUNCTIONS IN A SEPARATE AGENCY STATUS, MUCH LIKE THE EPA AS WE KNOW IT. THIS AGENCY WOULD BE INDEPENDENT OF ANY EXEUCTIVE DEPARTMENT, BUT HAVE A SINGLE ADMINISTRATOR AT THE TOP SERVING AT THE PLEASURE OF THE PRESIDENT. IF THE COMMITTEE IS CONCERNED ABOUT SUCH AN AGENCY'S "INDEPENDENCE," SOME INNOVATIVE STRUCTURAL PROVISIONS MIGHT BE CONSIDERED. FOR EXAMPLE, THE KEMENY COMMISSION, WHICH INVESTIGATED THE THREE MILE ISLAND ACCIDENT, SUGGESTED REPLACING THE NUCLEAR REGULATORY COMMISSION WITH A SINGLE ADMINISTRATOR SERVING A SET TERM OF YEARS NOT COTERMINOUS WITH THE PRESIDENT'S TERM OF OFFICE.

ALTHOUGH TECHNICALLY SERVING AT THE PRESIDENT'S PLEASURE, AN EXPECTATION--AND PERHAPS TRADITION--OF INDEPENDENCE COULD BE FOSTERED.

A THIRD MUCH LESS ATTRACTIVE OPTION WOULD INVOLVE MERGING THE COMMISSION'S FUNCTIONS INTO AN EXISTING EXECUTIVE DEPARTMENT. IF THIS OPTION WERE CHOSEN, THE DEPARTMENT SHOULD BE ONE HAVING A TRADITION OF PROTECTING CONSUMER RIGHTS OR AFFORDING CONSUMER SERVICES--LIKE HEALTH AND HUMAN SERVICES (HHS). HOWEVER, A CRITICAL FACTOR CONCERNS VISIBILITY. IN NO CASE SHOULD THE FUNCTIONS BE SUBSUMED BY AN EXISTING AGENCY, BUREAU OR DIVISION. LIKE THE FOOD AND DRUG ADMINISTRATION IN HHS AND NHTSA IN TRANSPORTATION, THE PRODUCT SAFETY FUNCTION SHOULD BE ORGANIZATIONALLY DISCRETE AND AT A HIGH POLICY LEVEL.

* * * *

TURNING TO THE UNDERLYING QUESTION, UNDER THE CONDITIONS JUST OUTLINED, I BELIEVE THE CPSC SHOULD BE CHANGED FROM GROUP LEADERSHIP INTO A SINGLE ADMINISTRATOR AGENCY.

THE SHORTCOMINGS OF LEADERSHIP BY COMMISSION ARE MANY. HISTORICALLY, CRITICS HAVE POINTED TO A FAILURE TO PLAN AND DEVELOP LONG-RANGE GOALS, RELUCTANCE TO FORMULATE COHERENT REGULATORY POLICIES, NEGLECT OF PROGRAM REVIEW, AND TENDENCY TOWARD PROCRASTINATION AND DELAY.

As far back as 1937, the Brownlow Committee on Administrative Management charged, "The Commissions practice confusion, conflict, and incoherence...." In 1949, the First Hoover Commission bluntly noted, "Administration by a plural executive is universally regarded as inefficient." In 1960, the Landis report to President-elect Kennedy faulted collegial bodies for "failure to develop broad policies in the areas subject to their jurisdiction." In 1971, the President's Advisory Council on Executive Reorganization concluded that "obsolete organizational forms limit the effectiveness of these commissions," and recommended replacing almost all of them with single administrators.

Today's pace of economic, technical, and social change demands a more fluid regulatory framework. Single administrators, able to respond with decisiveness and dispatch, can better meet the need for rapid adjustment to ever-changing conditions.

It is important to distinguish form from function. A regulatory <u>commission</u> is like a miniature legislature. Usually the regulatory <u>function</u> is closer to an executive one. The appropriate model is found in the executive, not legislative, branch and requires single-person leadership. While the commission form may afford many protections, the theoretical debate ultimately devolves into a question of whether it is useful or needed in specific cases. In the particular case

OF PRODUCT SAFETY REGULATION, BASED ON PERSONAL EXPERIENCE, I FIRMLY BELIEVE THAT GROUP LEADERSHIP IMPEDES THE ABILITY OF THE AGENCY TO ACHIEVE ITS MANDATE.

THE QUESTION OF SINGLE ADMINISTRATOR HAS CONCERNED ME FOR SOME TIME. MY VIEWS HAVE LARGELY BEEN EXPRESSED IN A RECENT ARTICLE PUBLISHED IN THE WASHINGTON STAR AND LOS ANGELES TIMES. RATHER THAN REITERATE THE RATIONALE PRESENTED THERE, I AM SUBMITTING THAT ARTICLE TO THE RECORD FOR YOUR REVIEW. (ATTACHMENT A)

SEVERAL COMMENTS MADE BY MY COLLEAGUES AND OTHERS HAVE BEEN IN RESPONSE TO POINTS I MADE IN THAT ARTICLE. BECAUSE SOME OF THOSE CRITICISMS RAISE NEW ISSUES CONCERNING THE SINGLE ADMINISTRATOR PROPOSAL, I WOULD LIKE TO LIST A FEW OF THEM AND OFFER A BRIEF REPLY:

(1) SOME SAY COMMISSIONS YIELD BETTER, MORE REASONED DECISIONS.

RESPONSE: WHERE'S THE EVIDENCE? CERTAINLY COMMISSIONS DELIBERATE MORE--FOR INTERMINABLE HOURS ON END, SOMETIMES OVER TRIVIAL ISSUES--AT SUBSTANTIAL COSTS IN DOLLARS AND DOLDRUMS. ONLY RARELY DOES ONE COME ACROSS THE IDEAL OF REASONED INTERCHANGE OF IDEAS; MORE TYPICALLY, MINDS ARE MADE UP AND OPINIONS WRITTEN WELL BEFORE THE COMMISSION VOTES. DIVERSITY OF INPUT--A DESIRABLE FEATURE OF COMMISSIONS--COULD BE ENSURED BY A SINGLE EXECUTIVE WHO APPOINTS DIVERSE AND DYNAMIC TOP ADVISORS, AND WHO MAKES IT CLEAR THAT ALL OPTIONS ARE TO BE EXPLORED. THE BUILT-IN DIVERSITY OF COMMISSIONS DOESN'T JUSTIFY THE ATTENDANT COSTS AND INEFFICIENCIES.

(II) SOME SAY THAT THE COMMISSION STRUCTURE AFFORDS NEEDED OPENNESS IN DECISION-MAKING OF SUCH IMPORT.

RESPONSE: TOO MUCH OF A GOOD THING CAN HAVE ILL-EFFECTS. SO IT IS WITH OPENNESS. GROUP LEADERSHIP PRODUCES TWO POSITIONS: A "STAFF" POSITION AND A COMMISSION POSITION. WHEN STAFF PROPOSES AN ACTION, THE BRIEFING PACKAGE AND MEETING ARE OPEN TO ALL--NO COMMISSION DECISION YET, BUT THE PUBLICITY TO A PRODUCT OR INDUSTRY CAN BE DEVASTATING. LOOK AT OUR FORMALDEHYDE FOAM INSULATION ACTIVITY: BEFORE ANY FINAL DECISION, MUCH OF THE INDUSTRY--PERHAPS 80-90% OF THE INSTALLERS BY THEIR COUNT--HAD GONE UNDER OR GOTTEN OUT. AND WHEN THE COMMISSION REJECTS A STAFF POSITION WHICH HAS ALREADY BEEN WRITTEN UP BY THE MEDIA AS A "HAZARD", THE PUBLIC PERCEIVES ONLY CONFUSION AND INDECISION (E.G., WHEN THE COMMISSION DECLINED TO GO ALONG WITH THE STAFF VIEW THAT THE PUBLIC SHOULD BE WARNED ABOUT THE RISKS OF ELECTRICAL WIRING FIRES FROM INSULATION ADDED TO OLDER HOMES).

(III) SOME SAY THAT THE QUALITY OF APPOINTMENTS WOULD BE UNAFFECTED BY A SWITCH FROM GROUP LEADERSHIP.

RESPONSE: COMMISSION APPOINTMENTS ARE OFTEN BASED ON POLITICAL PATRONAGE. MERIT AND EXPERTISE WILL MORE LIKELY GUIDE THE APPOINTIVE HAND WHEN THE POSITION ENTAILS GREATER AUTHORITY AND RESPONSIBILITY. SIMILARLY, WITH AN AGENCY HEAD WHO IS ACCOUNTABLE TO THE PRESIDENT, PERFORMANCE OF THAT AGENCY WILL REFLECT ON THE PRESIDENT AND HIS ADMINISTRATION. ONCE MORE, THE EMPHASIS LIKELY WILL BE ON MERIT INSTEAD OF PATRONAGE.

OUTSTANDING LEADERS AND TALENTED EXECUTIVES SEEK RESPONSIBILITY. THEY ARE MORE LIKELY TO BE ATTRACTED BY THE OPPORTUNITY TO TRY THEIR HANDS AT A SINGLE HELM, AND NOT BE SECOND-GUESSED AT EVERY STEP ALONG THE WAY.

(IV) SOME SAY THAT THE COMMISSION STRUCTURE--WITH STAGGERED, FIXED TERMS OF OFFICE--GIVES CONTINUITY AND CERTAINTY TO REGULATORY POLICIES.

RESPONSE: THAT IS TRUE. BUT THESE FACTORS COULD JUST AS EASILY BE TERMED RESISTANCE TO CHANGE. AS TO CONTINUITY OF POLICY, SINGLE ADMINISTRATORS MAY OR MAY NOT HAVE JUST AS HIGH A REGARD FOR PRECENDENT AS COMMISSIONS. BUT DO WE EVEN WANT TO STRIVE FOR THAT?

RAPIDLY EVOLVING MARKET FORCES OFTEN OUTSTRIP POLICIES WHICH WERE SOUND JUST A FEW SHORT YEARS BEFORE--AS THE FCC'S EXPERIENCE WITH CABLE TELEVISION ILLUSTRATES. FOR CPSC, AT REAUTHORIZATION 3 YEARS AGO, NO ONE WAS SERIOUSLY URGING CONTINUITY OF PRACTICES AND POLICIES THAT HAD FAILED. CONTINUITY CAN BE GOOD OR BAD, DEPENDING ON WHAT IS BEING CONTINUED.

(V) SOME SAY THAT PERSONAL STAFF WILL MULTIPLY UNDER A SINGLE ADMINISTRATOR, AND COST SAVINGS WOULD BE MINIMAL.

RESPONSE: THE CARE AND FEEDING OF SEVERAL COMMISSIONERS AND THEIR STAFFS DOES TAKE UP HUNDREDS OF THOUSANDS OF DOLLARS. ADD IN THE SAVINGS FROM ELIMINATING THE NEED FOR A SEPARATE EXECUTIVE DIRECTOR AND ATTENDANT STAFF. BUT THE SUBSTANTIAL SAVINGS ARE HIDDEN. LESS DRIFT. GREATER TARGETING ON PRIORITIES AND FEWER DIGRESSIONS. FEWER MEETINGS. FAR LESS PAPERWORK. FEWER SCHEDULING CONFLICTS. MORE PREDICTABLE SCHEDULING, ELIMINATING "WAITING AROUND" TIME OF STAFF. LESS STAFF MISDIRECTION. THE COST SAVINGS ARE REAL AND CONSIDERABLE.

(VI) SOME SAY THAT THE CHAIRMAN HAS SUFFICIENT AUTHORITY TO MANAGE THE AGENCY EFFICIENTLY.

RESPONSE: AS MR. DAVID M. WELBORN HAS SHOWN IN HIS BOOK AND WILL TESTIFY, THIS MAY BE SO AT SOME COMMISSIONS. AT CPSC, BY STATUTE THE CHAIRMAN CAN'T HIRE OR FIRE SUCH KEY AGENCY MANAGERS AS THE EXECUTIVE DIRECTOR, THE GENERAL COUNSEL, AND THE DIRECTORS OF ENGINEERING OR INFORMATION WITHOUT FULL COMMISSION APPROVAL. BY LAW, ALL OF THE CHAIRMAN'S ACTIONS CURRENTLY ARE SUBJECT TO THE "GENERAL POLICY" GUIDELINES OF THE ENTIRE COMMISSION. WHETHER EXECUTED OR NOT, THE LEVERAGE TO COMPLAIN OR CAUSE DISRUPTION AND DELAY IS EVER-PRESENT. WHO DEFINES WHAT IS "POLICY" AND WHAT IS NOT? THE COMMISSION, IN THE END.

(VII) SOME SAY THAT THE LOSS OF "INDEPENDENCE" WOULD COMPROMISE AGENCY OBJECTIVITY.

RESPONSE: WHILE "INDEPENDENCE" MIGHT HAVE BEEN IMPORTANT WHEN THE ICC WAS SET UP IN THE 1880'S, IT'S FAR LESS A FACTOR TODAY. MASS MEDIA ATTENTION ENSURES PROPRIETY MORE THAN ANY ABSTRACT COMMITMENT TO INDEPENDENCE.

EXTENSIVE CONGRESSIONAL OVERSIGHT--AND EVEN DIRECT INTERVENTION ON SPECIFIC ISSUES (E.G., EXTENSION OF THE EFFECTIVE DATE OF THE POWER MOWER STANDARD)--DEMONSTRATE A MUCH DIFFERENT CONCEPTION OF INDEPENDENCE THEN AND NOW. AND OMB'S BUDGETARY CONTROLS--WHEREBY 30% OF CPSC'S BUDGET CAN BE SLASHED--FURTHER POINTS UP THE FRAGILITY OF "INDEPENDENCE."

THE OTHER HEALTH AND SAFETY AGENCIES, UNDER THE PROTECTIVE WING OF CABINET DEPARTMENTS, CAME OUT WITH FEWER BUDGET SCARS THAN WE DID. INDEPENDENCE AND 50¢ GETS YOU A CUP OF COFFEE THESE DAYS.

MORE IMPORTANTLY, DOES IT MAKE SENSE TO RETAIN INDEPENDENCE? THE ECONOMIC CHAOS WE'RE IN NOW COMES IN PART FROM INCOHERENT AND INCONSISTENT POLICIES EMANATING FROM OUR FOURTH BRANCH OF GOVERNMENT. NEED WE BE BOUND BY TRADITION TO AN ORGANIZATIONAL STRUCTURE BUILT FOR ANOTHER DAY?

(VIII) SOME SAY THAT THE LENGTHY TERM OF OFFICE YIELDS EXPERIENCE NEEDED TO REGULATE WELL.

RESPONSE: AT SOME POINT LENGTH-IN-OFFICE BECOMES MIND-SET. CRITICS POINT TO A REGULATORY BIAS--THE ATTITUDE THAT ONLY REGULATORY MEASURES WILL SOLVE MARKET PROBLEMS. NEW BLOOD AND FRESH IDEAS WOULD HELP REGULATION BETTER KEEP ABREAST OF CONSTANTLY SHIFTING MARKET CONDITIONS, THE STATE OF THE ECONOMY, AND PUBLIC OPINION. MAINTAINING THE STATUS QUO MAY NOT BE USEFUL OR DESIRABLE.

(IX) SOME SAY THAT SINGLE ADMINISTRATORS WOULD BE REGULATORY "CZARS," AND THAT REGULATION WOULD BE SUBJECT TO THE WHIMSY AND/OR TYRANNY OF THE SINGLE AGENCY HEAD.

RESPONSE: A RED-HERRING, IF EVER I'VE SEEN ONE. WHERE ARE THE "CZARS" AT ALL THE OTHER SINGLE-HEADED HEALTH AND SAFETY AGENCIES NOW? AT EPA, OSHA, NHTSA, FDA, FAA, AND THE LIKE? ADMITTEDLY, SOME IN INDUSTRY HAVE COME TO LIKE THE STATUS QUO, BECAUSE THEY ARE FAMILIAR WITH IT. EFFICIENCY, GOOD MANAGEMENT, AND RESPONSIBLE GOVERNMENT TAKE A BACK SEAT TO THAT CERTAIN COMFORT THAT STEMS FROM FAMILIARITY WITH THE WAY THINGS ARE. A SHIFT FROM COMMISSION TO SINGLE EXECUTIVE, IN THE ABSTRACT DOES CAUSE SOME TO EXPRESS CONCERN ABOUT THE POSSIBILITY OF INDIVIDUAL EXCESS. BUT THE CHECKS ON ANY ADMINISTRATOR ARE MANY--THE PRESS, PUBLIC INTEREST GROUPS, CONGRESSIONAL OVERSIGHT COMMITTEES. AND, ULTIMATELY, A PRESIDENTIAL REMOVAL POWER WOULD GUARD AGAINST REGULATORY EXCESS AND ZEAL.

(X) SOME SAY THAT THE PROFESSIONAL STAFF WILL BE MORE OBJECTIVE, AND PRESENT MORE OPTIONS WHEN THEY FACE FIVE AGENCY HEADS, NOT ONE.

RESPONSE: AS A GENERAL RULE, THERE MAY BE SOME EVIDENCE FOR THAT. BUT A STRONG ADMINISTRATOR WILL SEEK OUT DYNAMIC ADVISORS WHO WON'T HESITATE TO DIFFER OR TO EXPRESS DIVERSE VIEWS. MOREOVER, WE SHOULD NOT SO BLITHELY INDICT THE INTEGRITY OF THE STAFF OF REGULATORY AGENCIES IN GENERAL--THEY'RE NOT ALWAYS BURSTING WITH PRECONCEIVED NOTIONS OF THE "RIGHT" DECISION.

(XI) SOME SAY THAT COMMISSIONS DO NOT REGULATE FROM DISCORD, OR PRODUCE A "LOWEST COMMON DENOMINATOR" DECISION. ONE OF MY COLLEAGUES CITES AS SUPPORT THE STATISTIC THAT 617 OF 741 BALLOT VOTES OF THE CPSC--FULLY 84%-- WERE UNANIMOUS.

RESPONSE: SOUNDS GREAT, AND IT IS TRUE. THE LOGICAL EXTENSION, THOUGH, IS THAT IF WE'RE SO FREQUENTLY UNANIMOUS OF WHAT VALUE IS A COMMISSION? BUT WHAT WERE WE UNANIMOUS ABOUT? JUST TO GIVE YOU AN IDEA OF THE TRIVIAL NATURE OF SOME OF THOSE UNANIMOUS VOTES, LET ME CITE A FEW FROM THE PAST YEAR:

-- ON FEBRUARY 4, 1981, THE COMMISSION APPROVED CHANGE OF DATE FOR A PUBLIC MEETING ON 9(C) PROPOSAL (5-0).

-- ON OCTOBER 9, 1980, THE COMMISSION APPROVED STAFF REQUESTS FOR CLOSED MEETINGS (5-0).

-- ON OCTOBER 9, 1980, THE COMMISSION APPROVED REQUEST FOR MEETING WITH COMMISSION ON OLIN PETITION (5-0).

-- ON JULY 9, 1980, THE COMMISSION APPROVED DESIGNATION OF COMMISSION REPRESENTATION AT A DEPOSITION (5-0).

-- ON JUNE 11, 1980, THE COMMISSION APPROVED REQUEST FOR CLOSED MEETING (5-0).

ON CONTROVERSIAL ISSUES, THERE IS ALMOST ALWAYS DELAY, SOMETIMES DISCORD, AND OFTEN A TENDENCY TO ARRIVE AT RESULTS THAT ARE LEAST OFFENSIVE TO THE GROUP AS A WHOLE. AND THAT'S WHAT'S MEANT BY "THE LOWEST COMMON DENOMINATOR."

(XII) SOME SAY THAT COMMISSIONS PROTECT AGAINST PARTISANSHIP OR FAVOR IN THE REGULATORY PROCESS.

RESPONSE: TRUE, FOR THE MOST PART. BUT THAT PROTECTION SPORTS A HEFTY PRICE TAG. MY CONTENTION IS NOT THAT COMMISSIONS ARE ALL BAD. THE ISSUE IS WHETHER THEY JUSTIFY THE COSTS IN TERMS OF ATTENDANT INEFFICIENCIES AND LACK OF FOCUS. FROM MY PERSONAL EXPERIENCE, I DON'T THINK THEY DO.

(XIII) SOME SAY THAT COMMISSIONS ACT AS PROMPTLY AS SINGLE ADMINISTRATORS.

RESPONSE: HARDLY, IF EVER. THE DELAYS WHICH HAVE CHARACTERIZED THIS COMMISSION'S ACTIONS OVER THE YEARS ARE A CONSTANT SOURCE OF EMBARRASSMENT. IT TOOK 6 YEARS TO DEVELOP A LAWNMOWER STANDARD; OVER 3 YEARS TO DEVELOP OUR VERY FIRST MANDATORY STANDARD--THE INFAMOUS SWIMMING POOL SLIDE STANDARD. WHO KNOWS HOW LONG IT MAY REQUIRE TO RESCIND IT? TIMELINESS IS NOT A VIRTUE OF ANY COMMISSION I KNOW, LEAST OF ALL OURS.

APART FROM THESE ISSUES, THERE ARE OTHER POINTS WHICH ARGUE PERSUASIVELY FOR A SINGLE ADMINISTRATOR AT THE CPSC SPECIFICALLY. RATHER THAN MERELY REBUTTING CRITICISM OF THE PROPOSAL, I'D LIKE TO REITERATE A FEW OF THE IMPORTANT AFFIRMATIVE REASONS WHY A SINGLE ADMINISTRATOR WOULD MAKE MORE SENSE FOR REGULATING IN THE AREA OF CONSUMER PRODUCT SAFETY.

FIRST, THE CPSC WOULD MAKE SENSE AS A SINGLE-ADMINISTRATOR AGENCY BECAUSE IT IS PRIMARILY A RULEMAKING BODY INSTEAD OF ONE THAT ROUTINELY DECIDES INDIVIDUAL CASES. IT DOES NOT SET RATES, AWARD ROUTES, ISSUE LICENSES, OR PERFORM OTHER QUASI-JUDICIAL

FUNCTIONS TRADITIONALLY RESERVED FOR COLLEGIAL DECISION-MAKING. IT DOES VERY LITTLE ADJUDICATING. IN MY 20-MONTH TENURE WITH THE AGENCY, WE HAVE HAD NO ADJUDICATIONS. AND IN THE EIGHT YEAR HISTORY OF THE CONSUMER PRODUCT SAFETY ACT, CPSC COMMISSIONERS HAVE ADJUDICATED ONLY 2 CASES. WITHOUT THESE TYPES OF DUTIES, THERE IS LITTLE NEED FOR A BOARD OF IMPARTIAL "JUDGES."

SECOND, INTERNAL AGENCY PROCEDURES ARGUE FOR A SINGLE ADMINISTRATOR. THE CPSC, UNLIKE MANY OTHER COMMISSIONS, HAS NO TRADITION OF WORKING SUBCOMMITTEES OR OF "LEAD COMMISSIONERS" ASSIGNED SPECIFIC RESPONSIBILITIES. THE FIVE-MEMBER COMMISSION ACTS ON EACH ISSUE IN EVERY DETAIL. LACKING THAT DIVISION OF LABOR, THE COMMISSION TAKES LONGER THAN IT MIGHT OTHERWISE. ALSO, SINCE NO RULE BARS INDIVIDUAL ANNOUNCEMENTS OR PRESS RELEASES, THE PUBLIC CAN GET CROSSED SIGNALS. PRONOUNCEMENTS FROM INDIVIDUAL COMMISSIONERS ABOUT PRODUCT DANGERS MAY BE MISTAKEN IN THE PUBLIC'S MIND AS OFFICIAL AGENCY POLICY--WHICH IT IS NOT. FOR EXAMPLE, AFTER A RECENT COMMISSION DETERMINATION NOT TO ISSUE A PRESS RELEASE UNTIL RECEIPT OF MORE COMPLETE INFORMATION ABOUT A HAZARD MATTER, A DISSENTING COMMISSIONER ISSUED AN INDIVIDUAL PRESS RELEASE TO THE SAME EFFECT, CONTRARY TO THE MAJORITY'S SENTIMENT.

THIRD, A SINGLE ADMINISTRATOR WOULD HELP ERASE THE DRIFT WHICH HAS CHARACTERIZED THE CPSC'S SENSE OF PURPOSE. THERE HAS BEEN NO CONSENSUS ON THE AGENCY'S MISSION. FROM THE AGENCY'S CREATION TO THIS DAY, THE CPSC HAS GRAPPLED WITH DEFINING ITS PURPOSE AND STRATEGIES. VARIED OBJECTIVES--LEADING TO TOO MANY "PRIORITIES" AND TO OVERREACTING-- HAVE IMPAIRED AGENCY PERFORMANCE ALL ALONG.

FOR ALL THESE REASONS, I STRONGLY ADVOCATE TRANSFORMING THIS COMMISSION INTO A SINGLE ADMINISTRATOR AGENCY, STRUCTURED IN A MANNER TO ENSURE SUFFICIENT VISIBILITY AND RESOURCES THAT MUST ATTEND TO THE FUNCTION OF PROTECTING THE AMERICAN PUBLIC AGAINST UNREASONABLE RISK OF INJURY FROM CONSUMER PRODUCTS.

IN CONCLUSION, DESPITE GROUP LEADERSHIP, THIS COMMISSION HAS PERFORMED ADMIRABLY SINCE THE 1978 REAUTHORIZATION. IT IS A TRIBUTE TO THE PREVIOUS CHAIRMAN, SUSAN KING, AND TO MY COLLEAGUES--COMMISSIONERS DAVID PITTLE, EDITH SLOAN AND SAM ZAGORIA--THAT THIS AGENCY HAS PERFORMED AS WELL AS IT HAS. BUT EVEN GREATER STRIDES WILL BE MADE IF YOU DECIDE TO CHANGE THE AGENCY'S STRUCTURE. UNTIL THEN, THIS AGENCY CANNOT EXPECT TO BEST FULFILL THE MANDATE AND MISSION WHICH CONGRESS HAS GIVEN TO IT.

NO OTHER SINGLE LEGISLATIVE CHANGE THIS COMMITTEE COULD MAKE WOULD DO MORE TO IMPROVE THIS AGENCY'S PERFORMANCE.

ATTACHMENT A

[From the Washington Star, Feb. 6, 1981]

IN REGULATING, FIVE HEADS AREN'T BETTER THAN ONE

(By Stuart M. Statler)

Imagine one of America's largest conglomerates with a five-person committee trying to run its daily affairs.

Not a board of directors, but a group acting like a chief executive officer, using majority vote to make policy and operating decisions, set priorities, choose top staff, and allocate corporate resources. Each hires a personal staff which may work at odds with the others.

Any or all of the five can send operating staff scurring in all directions, diverting them from key company concerns. And as committee members compete for "perks," harried staffers are left to play corporate poker with the multiple lines of authority. Pick a boss, any boss.

A SINGLE LEADER

The case dramatically demonstrates a simple business maxim: efficient administration requires a single leader at the top.

Yet our federal regulatory system ignores that maxim. The alphabet soup of independent commissions—CAB, CPSC, FCC, FTC, ICC, NRC, et al—are run by boards of 5, 7, or 11 basically co-equal members.

The truth is that our regulatory commissions have too many heads and too little direction.

THE GREATEST IMPEDIMENT

The structure of regulatory commissions—decision-making by groups of co-equal commissioners—is probably the single greatest impediment to effective agency performance.

In a feat of self-flattery, Congress created the first regulatory commission is its own image, stressing the legislative characteristics of compromise, consensus, and collegiality. Plural leadership, it was felt, would afford needed protection against arbitrariness on the one hand, and corruption on the other.

Yet the shortcomings of leadership by commission are legion. Critics consistently point to a failure to plan and develop long-range goals, reluctance to formulate coherent regulatory policies, neglect of program review, and a tendency toward procrastination and delay.

The problem stems from a mismatch between form and function. a regulatory commission is like a miniature legislature. By contrast, the regulatory function is closer to an executive one. The appropriate model is found in the executive, not legislative, branch and requires single-person leadership.

QUICK ACTION

Today's pace of economic, technical, and social change demands a more fluid regulatory framework. Single administrators, able to respond with dispatch, can better meet the need for rapid adjustment to changing conditions.

A single executive is more free to use modern management techniques, delegating more, and rewarding or dismissing staff based on their performance. The allure of running one's own show should attract more capable executives. Talent at the top, together with a streamlined structure, can produce a ripple effect, inducing high-calibre staff to assume key positions throughout the agency. A single executive can more effectively set policy and explain agency actions. Personal contacts and informal agreements would improve coordination among related agencies.

All the while, the key benefit of group leadership—diverse opinion and input—could be achieved by an able administrator who selects dynamic advisors. Balancing the competing views of senior advisors affords the administrator the desired opportunity for deliberation and compromise. Ironically, group decision-making is meant to do just that, but more commonly reflects consensus as a least common denominator results.

Most of the current literature on the cost of regulation decries industry's plight. But government itself incurs substantial costs—several hundred million dollars of waste—as a result of group leadership. Commission budgets include the obvious added costs of multiple salaries, travel expenses, and office space for commissioners and their immediate staffs.

HIDDEN COSTS

But large-scale hidden costs include skewed priorities, pursuit of pet projects, staff indirection, management inefficiencies, protracted proceedings, and persistent second-guessing.

Even if serving at the President's pleasure, a strong administrator would resist political pressures. He or she would be guided as much by conscience and judgment as would a multi-person commissin—and would be no more likely to be tempted by considerations other than the merits of the matter at hand. Scrutiny by today's media and public interest groups helps assure that a single agency head would be above reproach.

Still, the idea could perhaps best be tested on a pilot basis by substituting a single administrator for one of the existing commissions. From my personal experience with the Consumer Product Safety Commission (CPSC), I believe the Commission is a prime candidate. Its mandate often requires immediate response to save lives and prevent injury. Every other federal health and safety agency already has a single administrator. And group management impedes timely action.

Notwithstanding CPSC's much-improved record of accomplishment in recent years, I estimate that group leadership renders the agency only 50 percent as effective as it could be in protecting the American public against unreasonable product risks. A high-level staff member observes that the inefficiencies of our group decision-making absorb as much as 25 percent of our budget—around $10 million of $41 million.

President Reagan is searching for ways to pare the federal budget without sacrificing quality of services or needed protection accorded to the American people. Restructuring the regulatory system—at least beginning with one agency—offers an ideal way both to cut costs and improve quality.

CHRONIC HAZARDS PROGRAM

Mr. BOLAND. A substantial part of the Commission's budget ($2,428,000 and 47 FTE) is devoted to the Chronic Chemical Hazards program. OMB Director David Stockman has suggested that that activity could be better carried under the aegis of the Environmental Protection Agency. In view of your constrained budget for 1982 and a potentially more constrained budget in 1983, how do you feel about Mr. Stockman's suggestion?

Mr. STATLER. I think the recommendation is a mistake on the Administration's part. I believe if chronic hazards associated with consumer products were left to the EPA alone, the task simply would not get done. EPA is up to its ears right now in all kinds of projects it cannot complete. Its own funding is being cut. It does not have the expertise to deal with consumer products. It has not involved itself over the years with the sensitive questions we have had in terms of recalls of products, in terms of dealing with retailers and manufacturers, in terms of the day-to-day effort that we have in getting products off the market. It does not have the expertise we have in dealing with high-risk populations such as children, the elderly, and infants.

We have a Health Sciences Directorate organization headed by Dr. Peter Preuss. It is an operation that is lean; the budget amount comes to about $2.4 million. That is somewhere between five and seven percent of our budget.

That expenditure of effort has produced successes for the Commission in banning asbestos patching compounds and paint strippers. We have a current proposal to ban urea formaldehyde foam insulation and an effort to get tris-treated pajamas off the market. You are aware of our efforts in years past to get vinyl chloride out of aerosols. It is an effort that would not have taken place——

Mr. BOLAND. An effort that would not have been performed by EPA, I take it?

Mr. STATLER. That is correct.

Mr. BOLAND. I did not know what your interface is with EPA.

IMPACT OF BUDGET CUTS ON COMMISSION PROGRAMS

You wrote to the Director of OMB suggesting that the OMB review the reduction from $44 million to $33 million, and strike a compromise of $39 million. Is that correct?

Mr. STATLER. We agree with the Administration's attempt to try to streamline the Federal Government, to cut out matters that can be cut out. So, we are willing to take more than a 17-percent cut from OMB's current services level to $39 million according to their budget assessments, and we indicated that to them. For some reason, we literally did not get the time of day. We did not have the opportunity to make our arguments.

Mr. BOLAND. With whom in OMB do you interface?

Mr. TINSWORTH. Our Budget Director is David Fraser. He is on detail from CDC (the Center for Disease Control) in Atlanta; he has been there about a year.

Mr. BOLAND. What person did you deal with prior to that time?

Mr. TINSWORTH. He is the first I dealt with.

Mr. GROSS. Mr. Lively.

Mr. BOLAND. Even if this Committee wanted to add back funding for the Commission to bring it up to the $39 million that you suggested, do you understand that if the OMB is unwilling to release positions that go with the funding, then the money would simply be made for pay costs?

How much money and for what purposes could we add funds above the $33 million proposed level, that could be used without the need to add personnel?

Mr. STATLER. I think that added money could very valuably be spent on contracting, which has been slashed by almost half from our original fiscal year 1982 budget. We have also cut out a tremendous amount in enforcement which is one of our key areas. Our work on toxic combustion products has been reduced. In the chronic hazards area, much of our work on asbestos has to be cut out. Finally, in our aluminum wire litigation, we had to cut out over $100,000, which will impair our ability to defend that lawsuit.

I would add Mr. Chairman, that when the Committee, two years back, I believe it was, voted a supplemental appropriation for work on cellulose insulation, OMB did allow added personnel to do the work. So it might be conceivable that if it were the wisdom of this Committee to add back funds to our budget, OMB would make appropriate adjustments in the ceilings for personnel.

Mr. BOLAND. Any general questions?

INTERAGENCY COOPERATION

Mr. GREEN. I would like to raise a little further the argument that much of your work is done elsewhere. For example, the Administration in the additional budget detail released yesterday suggested it was appropriate to cut the funding for the toxic substance activity you are doing because the Administration is increasing the funding for the toxicity program in Health and Human Services.

As I look over your work in fire, it is obvious there are others doing the same work. How do you respond to that?

Mr. STATLER. We are not performing the same work on toxic substances as the National Toxicology Program (NTP), in Health and Human Services. NTP coordinates research. We do not do any basic research in the chronics area. It is all done through NTP. We piggyback. We use the research, to help in the regulation and to provide a stimulus to industry to make substitutions voluntarily for substances found to cause gene defects, sterility, or birth defects. You have to have the apparatus there to make use of the additional research. It could well be a waste to taxpayers to add more research and not have an agency like ours to focus on the hazards identified in the basic research being done on the products and to take appropriate action to get those products out of the consumers' hands.

Mr. GREEN. What about the fire safety area?

Mr. STATLER. We make use of the investigative capability of the U.S. Fire Administration, but they are not a regulator, either.

They are not dealing with some of the consumer problems we are, such as upholstered furniture, thermal blankets, plastic flammability. They are dealing with structures of homes, which we do not get into. We are dealing with the products in the homes, including wood and coal burning stoves, for example; but we are interested in giving information to consumers as to how to maintain the product so it will not catch fire and burn your home down.

Mr. GREEN. Thank you, Mr. Chairman.

Mr. BOLAND. Mr. Stokes.

INFORMATION AND EDUCATION

Mr. STOKES. I think most of the questions I planned to pose this morning have been gone over. I do have one question with reference to your headquarters activities. One of the activities proposed for elimination is public service announcements; also, other information and education efforts. During last year's hearing, I inquired specifically about funding for minority outreach programs. What do you expect your expenditure of funds in fiscal year 1981 for education and information efforts targeted toward minorities to be?

Mr. STATLER. In fiscal 1980 we actually spent $96,000 for community demonstration projects involving minority outreach.

In fiscal year 1981 we have tried to bring our minority outreach program into a better focus. We focused it around basic themes, three in particular. We are delivering information and giving information and education brochures to expectant parents. We are funding teaching programs for expectant parents, aimed particularly at minority parents, to educate them about the problems they can encounter in products they use when they have their child, good buying strategies, the kinds of product concerns they must look out for when they have a child. But the funds are specifically directed toward low-income and minority expectant parents.

Our "Save Energy Safely" program again is focused. One-third of the total is directed towards low income persons and minorities. The entire amount for the expectant parents and save energy safely programs is approximately $250,000.

Mr. STOKES. For fiscal year 1982?

Mr. STATLER. Yes.

In fiscal year 1982 the expectant parent program continues in the amount of $199,000, and the "Save Energy Safely" program is in the amount of $60,000. And finally, in the fire and thermal burn area, again we are focusing our program. We are again trying to target that program toward minority interests.

We found we could achieve more efficient use of dollars by focusing on the chief concerns instead of trying to do everything across the board. Energy is a concern of all today, and it is the minority populations, as Commissioner Edith Sloan can attest, minority populations who are specifically and more directly being hit than the population at large.

Edith, anything you can add?

Ms. SLOAN. There is nothing I can add except that I have been a proponent of a strong I&E program, especially in reaching the children. I am very glad that the prenatal parents program is going into effect, and I am dismayed it will be cut back as a result of the budget cut. That means we will be reaching 25 States, but it will be limited on how many parents we can reach.

One of the problems is that it is difficult to estimate the value of these programs. You do not know if they are changing consumer behavior, but certainly we cannot underestimate the value of I&E when it comes to recalls and letting them know that tris pajamas were on the market, and warning them they would be out there?

Mr. STOKES. That is the tris garments?

Ms. SLOAN. Yes. So a lot has to be done, but with a very small budget, unfortunately not too much can be spent on I&E. It cannot fill the bill totally. It helps to implement the regulatory program. Without it there would be a vacuum which would be felt, particularly, I think, in the minority and disadvantaged communities.

Mr. STATLER. That minority outreach, I might add, is a priority of the Commission in fiscal year 1981 and will likely be in fiscal year 1982. We have not established that yet.

Finally, the expectant parents program I referred to earlier did arise out of the pilot demonstration project which took place in New York City with blacks and Hispanics. I think the success of the program in a small community is now being applied in other locations.

Mr. STOKES. Considering though the elimination of public service announcements, what method will be used to reach large cross-sections of the consumer market?

Mr. STATLER. We are eliminating about $280,000 from the public service announcements program. In place of that, we have a system we call spot master in the Agency, whereby we produce radio tapes and make those tapes available to radio stations throughout the country. We are also going to suggest to corporations that they make use of some of the literature we have prepared, put their own name on it if they want, and get it circulated to as many people as possible in the United States, again focusing on targeted populations.

Mr. GROSS. We were asked earlier by the Chairman if in places where money was restored without slots, we could use that. In the past, the Agency spent up to half a million dollars on public service announcements. We could undertake some of that work again with-

out additional slots if funds were restored. But they are so expensive compared to the total budget, even to recycle the ones we have would be a minimum of $25,000. The Commission made a judgment it was impossible. If there was a mood in this Committee to restore funds without the slots, that is one place I think we could profitably undertake contracting as we have in the past.

Mr. STOKES. If there were a minimum level of funding that you would recommend that would enable you to retain your present program emphasis, what would your recommendation be?

Mr. STATLER. When we submitted the budget request to OMB and in our letter to the Speaker, we indicated we could tolerate a budget cut to $39 million, a 17 percent cut, and still conduct what we felt was a more viable public safety program.

Ms. SLOAN. May I add something here, Mr. Chairman; it is a reaction to what has been said. I argued very strongly to keep the PSAs. I think they provide a service that cannot be replaced. If there were a single administrator, that decision would have been made by a single person. They would not have had it from a staff person, which is not the same as getting it from a peer. Even though I lost, they did have to listen to me.

PERSONNEL LEVELS

Mr. BOLAND. I want to ask a few questions concerning the full-time equivalent (FTE) levels as compared with permanent positions, as displayed in last year's justifications.

First, on page five, you indicate that the full-time equivalent for 1980 was 978, and that will drop to 891 in 1981. Is that the result of dropping a number of part-time and temporary positions?

Mr. TINSWORTH. The full-time permanents were 880.

Mr. STATLER. Will you repeat your question?

Mr. BOLAND. Are you looking at the chart on page five? If you look at the FTEs in 1980, the figure is 978. In the fiscal year 1981 estimate, the FTEs are 891.

What caused that drop? Is it the result of dropping a number of part-time and temporary positions?

Mr. TINSWORTH. It is a combination of full-time and temporary positions.

Mr. BOLAND. Can you tell us how many in each category? Supply it for the record.

[The information follows:]

The reduction of 87 FTE's from 978 to 891 includes 68 full-time permanent employees, eight part-time permanent employees, eight temporary employees and three student employees.

Mr. BOLAND. Last year's full-time equivalent for 1981 was 978. This year, you are displaying only 891.

Is that the result of the two-percent reduction and the one-for-two freeze imposed by President Carter and the total freeze imposed by President Reagan?

Mr. TINSWORTH. Yes, it is.

Mr. BOLAND. Please indicate for the record how much in total you will save in 1981, because of the one-for-two freeze and the total freeze.

[The information follows:]

The President Carter one-for-two freeze saved the Commission $195,000 in fiscal year 1981. Since January, the total freeze of President Reagan saved the Commission $31,000.

Mr. BOLAND. I note also, that you have not only been able to absorb the two-percent reduction, but also the entire supplemental pay request for 1981 has been canceled. Are you able to cancel your request for pay costs because of the freezes?

Mr. STATLER. I think that is partly due to that, but also due to cutting out contract funds, particularly.

Mr. BOLAND. Are you able to do that without any additional reduction in personnel, or will the new Reagan personnel ceiling of 812 for 1981 permit you to cancel the pay cost request?

Mr. STATLER. Again, I think it is a combination of the two. I think the freeze is partly responsible, and it is partly due to eliminating some contract amounts.

Mr. TINSWORTH. The total cost of the pay increase we estimate is $2.3 million. The $1.6 million supplemental is a part of that. So we are absorbing part of that by cutting out some of the contracts, and the freeze is another relevant factor.

Mr. BOLAND. For the record, submit what I have asked: that is, whether the Reagan-imposed ceiling in 1981 permits you to cancel the pay cost request.

[The information follows:]

The lower ceiling of 812 will save the Commission $680,000 in fiscal year 1981. Since our pay raise supplemental was $1.6 million, we will still have to cut almost $1 million in contracts to absorb the cost of the pay raise. We dropped our request for a supplemental at the direction of the Office of Management and Budget.

Mr. BOLAND. Last year's justification indicated that for fiscal year 1980—I am talking now about the 1980 column of the 1981 budget request—you were requesting 880 positions. This year, on page 67, you indicate that the 1980 total number of full-time permanent positions is only 801. That is a substantial difference from last year's estimate. What causes that difference?

Mr. STATLER. It is simply a typographical mistake on page 67. The total number of FTE listed under 1980 should have been 880.

Mr. BOLAND. Now turn back to page five. On that page we see that in 1981 you are estimating 28 FTE in Emerging Hazards, which is up from 17 FTE in 1980. That is correct, isn't?

Mr. STATLER. Right.

Mr. BOLAND. What is the basis for the increase?

Mr. STATLER. That principally reflects the creation of what is called a product safety assessment team within the Office of Program Management. That team accounts for 12 positions. There is a slight increase due to positions added to deal with petitions. The Product Safety Assessment Team program is really a team effort coming out of what had been compliance and engineering, to give the Commission a more prompt assessment of emerging hazards that might come along.

Mr. BOLAND. Last year, the 1981 estimate included 103 permanent positions for administration and general support. This year, the 1981 column of the 1982 budget indicates that there are 132 FTE in that activity.

Why is that increasing substantially from the original estimate in 1981?

Mr. STATLER. This is our attempt to go with an FTE figure as opposed to an FTP figure which we had been using in the past. OMB is requiring FTEs next year, and we went back to our budget and readjusted the figure. So the difference really reflects full-time equivalents.

In the area of administration, we have historically had a high number of part-timers and temporaries because the nature of that activity was conducive to this.

Mr. BOLAND. On page seven of the justifications under Commission Policy Development and Direction, you indicate that the reduction from 1981 to 1982 is 3 FTE. However, the justifications also make clear that there is no reduction from 1980 to 1982. Why isn't this activity, which includes the Office of the Commissioners, the General Counsel, Congressional Relations, the Office of the Secretary, and so on, not sharing in the reduction of nearly 200 FTE in 1982?

Mr. STATLER. It is very important to point out, Mr. Chairman, that the Commissioners' offices are showing and will be taking a 20 percent cut. However, the indication here of a loss of only three reflects technical adjustments that have been made. One adjustment accounts for the transfer of some five attorneys from Compliance and Enforcement into the General Counsel's office, which comes under Commission Policy and Development. We also now account for all our upward mobility slots under the Office of EEO and Minority Enterprise. All 13 positions are now reflected in Commission Policy Development instead of just the seven that had been earlier. So, we had to add in those additional positions. Hence, you have reflected here technically a minus three; had we not added in the others, you would have seen the full thrust of the 20 percent cut.

Mr. BOLAND. On page 12 of the justifications the legend indicates that "the Commission will not be able to address all petitions received within the 120 days required by the Consumer Product Safety Act." You indicate that this is the result of a decrease in this program (emerging hazards) of three full-time equivalent positions. However, I notice that 1982 actually represents an increase above 1981 of two FTE.

Are you telling us that with two additional FTE in 1982 above 1981 that you are going to be able to do less than you were doing in 1981?

Mr. GROSS. Sir, that program contains three components, the product safety assessment group and the petitions team, as well as a new project group.

The new FTEs will be part of the Product Safety Group.

Mr. GREEN. Why are you making that shift?

Mr. GROSS. The Product Safety Assessment Group is a group of technical specialists, such as engineers and epidemiologists, who will allow us to react promptly to reports of product defect and provide technical advice.

When there was a report of tris on the market, that group tested those garments to make sure what we were seeing was tris.

That group should be paramount under the smaller budget and should continue to grow. The minimal growth in that is what the

Commissioners have made a judgment is necessary to support our compliance effort.

Mr. GREEN. Do you feel that group has not been responding fast enough because of lack of manpower?

Mr. GROSS. It is a new group. We had planned to double the number of engineers. As it is, we will make that group smaller.

UPHOLSTERED FURNITURE

Mr. BOLAND. On page 13 the justifications discuss the upholstered furniture activity. You indicate:

> Based on a preliminary evaluation of the voluntary program developed by the upholstered furniture industry, the Commission postponed promulgation of its mandatory standard for one year to permit a full evaluation.

What is your guess on what that evaluation will reveal?

Mr. STATLER. We are scheduled to meet on that around the first of June. We have chair tests. I will have to confess to you that we have been disappointed as to the results of the testing. On the other hand, reports have come to us on important developments which would be trade secrets that I cannot divulge in this public session, but might be able to share privately.

Mr. BOLAND. There was an article in the Saturday, March 14 issue of the Washington Post concerning upholstered furniture. It suggested that Olin has petitioned the Commission to issue a standard which would require that a chemical be used for fire-retardent upholstered furniture. The article indicates that the Commission has rejected that proposal—although apparently a similar standard exists in the State of California which appears to be fairly effective.

Why did you reject the proposal in light of the California experience?

Mr. STATLER. I believe the article is mistaken. The Commission has not rejected the proposal. It is taking it up in June, along with our general discussion of upholstered furniture.

Mr. BOLAND. Does California have that kind of standard?

Mr. STATLER. They do. It is in effect. Our staff recommended the Commission reject the proposal.

Mr. BOLAND. For what reason?

Mr. STATLER. They felt it was not responsive to the principal problem before the Commission, namely, fires from smoldering cigarettes. It was more responsive to the open-flame problem, which accounts for only 10 to 15 percent of the entire flammability problem associated with furniture, as opposed to the major issue we are dealing with.

Mr. STOKES. Mr. Chairman, may I ask a question here?

Mr. BOLAND. Surely.

Mr. STOKES. When you get a staff report of that kind, in the interim time between receiving the report and the time it takes for the Commission to act, do you do additional study or request any additional staff study?

Mr. STATLER. When the Commission took up the staff briefing package, we requested a great deal of staff study.

The Commissioners made comments and there was a feeling there was more to that proposal than the staff had presented. We wanted more work done.

I should add at this point that it will be coming up when we deal with the entire issue in June.

Mr. STOKES. That is why I asked. It seemed this kind of situation would certainly need this additional study, which I am glad to know you have done.

Mr. ZAGORIA. In addition to looking at the staff report, each of us has met with the fire chief of Los Angeles, for example, each of us has a further discussion scheduled with the Olin technical team to try to give us their response to the staff recommendation. So, this is not something lightly entered into.

One of the things that has not been said here yet is the point of view of the furniture industry, this proposal by the Olin company will cause a substantial increase in the cost of production of furniture. There has been a strong objection from industry.

One industry stands to benefit; another tends to lose substantially by the regulation. So, we are caught in that usual spot of being in the middle.

Mr. STOKES. But in the equation you have to balance the interests of the consumer.

Mr. ZAGORIA. Yes.

Mr. BOLAND. With the interests of the agencies involved, who are responsible for the activity.

Mr. STATLER. I will defer to Commissioner Pittle.

Mr. BOLAND. Do you do the testing, does the Bureau of Standards or the Fire Administration do the testing, or do all three Agencies do the testing?

Mr. PITTLE. No. The testing we have completed is testing we initiated to evaluate the industry program they presented to us as an alternative to our draft mandatory standard. The Bureau of Standards has done some testing for us on a contract basis because they are, under our legislation, to be used as a technical arm of this Commission. In addition, we do some of our own testing.

Picking up on this, for just a moment, the furniture industry is not only concerned about additional cost, but also with whether the use of the treated foam adds any benefit. The basic issue is how much benefit will be gained by the consumer for a substantial increase in cost and how that compares with other alternatives for making furniture less flammable.

CHRONICS PROGRAM

Mr. BOLAND. On page 28 of the justifications, you detail the impact of the March 1981 revision on the chronics program. You indicate that the reduction in this program amounts to 21 FTEs and $1,847,000—and because of this, you will have to discontinue or curtail work on a number of projects that are detailed below. Again, I notice on page 22 that the full-time equivalent goes up from 44 in 1981 and from 39 in 1980 to 47 in 1982. Why is it that in the March 1982 request you are doing less with more?

Mr. GROSS. The program operates efficiently with only a few people, but we have to purchase research and economic assistance outside the Agency. With this kind of budget, we simply had to give up huge amounts of support contracts.

Mr. BOLAND. That is a good answer.

PUBLIC PLAYGROUND EQUIPMENT

On page 29, under the Children's and Recreational Products Program, I note that you plan to distribute handbooks for public playground equipment. This was an area in which you spent substantial amounts of money to develop a mandatory standard. Last year you indicated that the question of a mandatory standard was still open. Have you now decided to reject any possibility of a mandatory standard?

Mr. STATLER. Yes, we did, Mr. Chairman. Instead we are proposing to publish two booklets relating to the safety of children's playground equipment. One booklet is intended for use by parents, and the other is more technical, and intended for urban planners and engineers.

Mr. BOLAND. Indicating what?

Mr. STATLER. Indicating the kinds of concerns they ought to have in the purchase, location, and design of equipment.

Mr. PITTLE. One of the major problems with playground equipment injuries is the surface under the equipment. The problem is not that the equipment falls apart. It is that when the equipment is put on asphalt or concrete and kids fall, they suffer severe injuries from landing on their heads or backs. So, part of this booklet is advice that people consider using softer, more resilient surface materials. The rest of it concerns the placement of the equipment, for example, how close the swings are to the seesaws and so on. Again, it is not the deterioration of the equipment that causes the problem, but how it is designed and laid out. By publishing this information, we hope to give guidance to people putting up playgrounds in the future.

Mr. STATLER. There were over 100,000 playground injuries according to our NEISS data in 1978.

Mr. BOLAND. There is no way in the world you are going to get away from injuries on the playground.

Mr. STATLER. The question is, can we minimize injuries for the future.

Mr. BOLAND. If people put asphalt under swings I would think that is their own stupidity.

Mr. PITTLE. There are all kinds of surface materials that the public playground associations are trying to promote that are softer and more resilient.

Mr. STATLER. Our participation is minimal.

Mr. BOLAND. Minimal now, but it must have cost a great deal of money to get to the present point where you are rejecting the standard and saying that this can be accomplished by publishing two booklets.

Provide for the record the amount you spent to develop a mandatory standard.

[The information follows:]

From fiscal 1975 to 1979, the Commission spent $832,000 to develop a mandatory safety standard for public playground equipment and on surfaces on which such equipment is installed.

In June 1979, the Commission decided not to proceed with the development of the mandatory standard. Instead, the Commission decided to make its information available to the public in a handbook so that manufacturers could use this knowledge in designing new equipment. Purchasers could also use the reports in selecting equipment and designing playgrounds.

REVOCATION OF THE SWIMMING POOL SLIDE STANDARD

Mr. BOLAND. On page 30, I also noticed that in 1981 the Commission will consider a proposal to revoke the swimming pool slide standard. This was one of the first, if not the first standard adopted by the Commission; is that correct? I presume you spent a considerable amount of money on this activity, too.

Why are you considering revoking this standard? Is it strictly court action, or is there some other reason for it?

Mr. STATLER. I think the underlying reason is that we do not feel this standard needs to be on the books any more. My personal view is that it was a mistake to promulgate it in the first place. It was done at a time when the Commission's priorities were askew. I hope to be able to report to you next year that we are not spending any more time trying to revoke the standard because it will have been revoked.

Mr. COUGHLIN. Wasn't that the standard where the Commission required a label at the top of the sliding board to warn people not to slide down headfirst?

Mr. STATLER. Yes. One of the problems with the Administrative Procedures Act is that it requires us to take a long time to take a standard off the books.

CHAIN SAWS

Mr. BOLAND. On pages 32 and 33 you discuss briefly the chain saw situation. Last year you indicated that you were looking closely at a voluntary standard. Now you indicate that you will have to develop a mandatory standard. What is the status of that effort, and what is the status of the voluntary standard as it now stands?

Mr. STATLER. I understand the voluntary standard as it now stands will be evaluated by the industry in May. At that time they will be making their recommendations known to us. In the meantime, the 18 month venture that we had with the chain saw industry, the joint venture, I might add, produced some results, including information that was necessary. That information is now being used by the Commission in connection with its mandatory standard effort. We have made it clear to the industry that we hope their standard adequately addresses the unreasonable nature of the risk. If it does, we will suspend our effort and go with theirs. If it does not, the 23,000 kickback injuries with chain saws have to be addressed in some more adequate way.

Mr. BOLAND. On page 33 you indicate that this program may be merged with another hazard program in 1982. With what particular hazard program will it be merged?

Mr. STATLER. Exactly which program, we are not sure. It may be household or electric. But the feeling is, in order to save on some of the management effort that we extend, it would be wise to combine.

Mr. BOLAND. Have you any idea whether it will save any FTEs and dollars?

Mr. STATLER. We know it will. We have already cut FTEs in the Office of Program Management from 31 to 20.

Mr. BOLAND. Mr. Traxler has some questions to be answered for the record which I will insert in the record at this point.

[The questions and answers follow:]

Question. Could you break down the total costs expended by CPSC on the chain saw project during each fiscal year 1977-1980?

CHAIN SAW PROJECT RESOURCES—ACTUAL COSTS FISCAL YEARS 1977-80

Fiscal year	Salaries	Contracts	Operating costs	Total
1977	10,000			10,000
1978	114,000	82,000	12,000	208,000
1979	142,000	275,000	15,000	432,000
1980	194,000	139,000	6,000	339,000

Question. Could you provide your anticipated costs for fiscal years 1981-1984?

Anticipated costs

Fiscal year:	
1981	$650,000
1982	700,000
1983	400,000
1984	150,000

Question. What are the total costs anticipated for the mandatory chain saw project?

Answer. The anticipated cost of the mandatory standard being developed of chain saws between fiscal year 1980 and fiscal year 1983 is $2.1 million.

Question. It is my understanding that the CPSC is now pursuing an approach for chain saws which is virtually identical to that of the industry. Is that a correct analysis? If not, what is the difference between CPSC's approach and that of industry?

Answer. The Commission's approach to the development of a standard for chain saws builds on the experience and knowledge gained during the joint efforts with the industry on its standard. The approach therefore is similar in that it relies primarily on energy measurements obtained on the test apparatus developed during the voluntary process. This is a reliable, reproducible and verified piece of test equipment. Any alternative approach would require the development of appropriate test equipment and would require years of additional effort.

While much of the information and methodology developed during the voluntary standard joint effort is included in our current approach, any eventual standard developed may differ from the requirements recommended by CSMA in the following important ways:

1. Scope.—The CSMA requirements applied to electrical saws up to 12 amperes at 12 volts and to gasoline saws up to 3 cubic inch displacement (CID). The staff has data indicating that gasoline saws up to 4.5 CID are used regularly by consumers and cause more kickback injuries in proportion to the number of larger saws in use than do smaller saws.

The industry has expressed concern that applying a standard to larger gasoline saws would adversely impact professional users.

Additional information on this issue will be developed in order to form a factual basis for recommending the size of the electric and gasoline saws to be covered by the standard.

2. Hazards addressed.—The CSMA requirements address kickback occurring during two-handed operation. The staff's approach addresses both one and two handed operation.

3. Demonstrating injury reduction.—Both the CPSC and CSMA approaches would estimate injury reduction by determining the angle of saw rotation which corresponds to a particular energy measurement. That angle will be compared to existing injury data to estimate the number of injuries that would not have occurred if the kickback energy, and angle, were rduced to a given level. However, the staff would pursue a more straight forward method which it believes will yield more certain results than would the CSMA approach.

CSMA uses a two-stage approach. First, "standard" forces describing the influence of the operator's hands on the saw during kickback are estimated from tests of operators inducing nose kickback. Thus, these hand forces, along with other physical data on the chain saw, are analyzed by a computer program which derives the

angle that the saw would rotate during kickback. The estimated hand forces significantly impact the derivation of the angle. The staff has previously expressed its concern that such an approach could yield inaccurate results.

CPSC staff will not attempt the difficult, uncertain step of estimating hand forces. Instead, the staff will observe hand-held tests to determine the maximum angle at which a kickback can be controlled by representative test operators. These controllable angles will be compared to corresponding energy measurements in order to set test criteria stated in terms of energy levels. Satisfactory results from testing to observe controllable angles would obviate the need for the difficult additional step of calculating the kickback angle.

CSMA is presently involved in an extensive effort to support the derived angle approach. The impact of this effort on the project will be considered when it is submitted by CSMA.

4. Hand-held testing.—The hand-held testing planned by the staff differs from the limited data currently available on CSMA hand-held tests. The testing which supported the CSMA recommended requirements involved high kickback angles indicating high levels of kickback energy.

The staff does not believe that reliable estimates of standard hand forces, critical to the CSMA approach, could be obtained from such violent kicks. The staff intends to pre-test saws to identify test conditions which produce lower kickback energy levels and, therefore, lower angles, and to choose those with low energy levels for hand-held testing. These tests should provide more realistic results.

It will be possible early in the hand-held testing to determine whether the results will be reliable. If not, then the present approach will be reevaluated and other options, such as shifting direction to a more design-oriented approach, would need to be considered at that time. The technical work done up to that decision point would support either approach.

5. Recognition of known design approaches.—As submitted, the CSMA approach made allowance for (a) energy reduction through the use of low energy chains and/or guide bars, (b) removable nose guards, and (c) hand guards.

In addition, the staff will consider (a) the need for an interlock system to assure two-handed operation, (b) the issue of permanent vs. removable nose guards, and (c) the feasibility of a chain stopping requirement as an alternative or as a necessary additional requirement for some or all saws.

Question. It is my understanding that the CPSC intends to survey chain saw manufacturers directly, but that you are seeking information from only nine companies, rather than the 34 companies which would be directly impacted by any forthcoming regulation.

Why has CPSC chosen to collect this information from only nine of the companies? Why do you appear to be ignoring the small companies in the industry?

Is it appropriate to develop an industry wide regulation after collecting such information from only 9 of 34 companies? Please elaborate.

Answer. The Commission has requested information from nine manufacturers (5 chain saw manufacturers and 4 saw chain manufacturers). These five chain saw manufacturers represent 85 percent of chain saw production and the four saw chain manufacturers represent 98 percent of saw chain production. This sample is sufficient to do the bulk of the preliminary economic assessment and evaluation of the current state-of-the-art in chain saw safety necessary to propose a mandatory rule.

In addition, the Commission, through its public participation activities will solicit and compensate one or more small business representatives to work with the Commission throughout the standard development period. Prior to the promulgation of a standard, the Commission will specifically consider the impact of a standard on small businesses as required by the Regulatory Flexibility Act of 1980.

HOME INSULATION PRODUCTS

Mr. BOLAND. On page 34 you indicate that the Commission conducted a major enforcement effort for its amended standard for flammability and corrosiveness of cellulose insulation. Are you satisfied that this standard is currently being properly enforced?

Mr. STATLER. I can tell you it is not being effectively enforced. We are finding far too many failures, at the rate of 60 to 70 percent.

Mr. BOLAND. Who is enforcing the standard? The States?

Mr. STATLER. It is a combination of the States and this Commission.

Mr. BOLAND. Primarily the States?

Mr. STATLER. Primarily us.

Mr. BOLAND. Have you had any doubts about this enforcement?

Mr. STATLER. We are considering that internally.

Mr. BOLAND. What will you do if it is not being enforced properly?

Mr. STATLER. We have to determine whether it is worth spending additional Commission resources to enforce that standard or making the expenditure in another area where the benefits would be greater.

Mr. BOLAND. Page 35 of the justifications addresses briefly the foam insulation problem. On February 5, 1981, the Commission proposed a ban on urea-formaldehyde foam insulation. There was a split in the vote. Commissioner Statler, you voted against the proposed ban. What is the status of the ban today? Is there a chance there might be another vote?

Mr. STATLER. There will be another vote. The comment period ended this past Monday (April 6, 1981). We are now going to be evaluating the comments that came in, in connection with the proposed ban. I have asked the staff to look to an independent outside panel to examine the standard which the industry has put forward, to give us an independent conclusion with respect to that, just as we have used an independent outside panel in the health area.

Mr. BOLAND. Has this product been used extensively in home insulation?

Mr. STATLER. Yes.

Mr. BOLAND. Has it caused great concern among users?

Mr. STATLER. We estimate that there have been over 500,000 applications of UF foam insulation since 1975——

Mr. BOLAND. How do you enforce the standard? Do you tell the person who has already installed it to replace it?

Mr. STATLER. The ban would only apply to future applications. With respect to the 500,000 homes which now have it, there will have to be a lot of interaction between the people who have it and those who install it.

Mr. BOLAND. Wasn't there a lot of interaction in Massachusetts?

Mr. GROSS. Yes, there was.

Mr. STATLER. I might add that Canada, our neighbor to the north, has proposed a temporary ban.

ARCHITECTURAL GLAZING

Mr. BOLAND. On the same page, the middle of the page, you are revoking the standard or parts of the standard on architectural glazing. What happened here?

Mr. GROSS. The Commission had been working on the architectural safety aspect for several years and found the major problems to be under control, and much of the enforcement now could be turned over to the States. The building codes have been revised and upgraded, and we think a Federal presence will no longer be necessary.

HAZARD IDENTIFICATION AND ANALYSIS

Mr. BOLAND. On page 37, the Hazard Identification and Analysis activity decreases from 1980 to 1981 from 53 FTE to 36 FTE. Was that reduction made before the Reagan budget revisions were announced?

Mr. STATLER. That was a streamlining effort.

Mr. BOLAND. Does the reduction have anything to do with a reduction in the number of temporary employees?

Mr. STATLER. I think I would have to provide that for the record, Mr. Chairman.

[The information follows:]

The reduction from 53 to 36 FTE is partially due to our efforts to streamline the NEISS system which requires fewer personnel to run. We also dropped our project to enhance our fire and electric hazard data bases.

Mr. BOLAND. Again, on page 39 you indicate all of the terrible things that are going to happen if this program is reduced by two FTE and $15,000. Actually, the number of FTE is the same as 1981. It is hard to believe that the results will be as severe as you indicate, given that the level is the same as you are carrying this year. How would you respond to that?

Mr. STATLER. The real impact there is a result of cuts already taken in fiscal year 1981 to the amount of $670,000. The $15,000 is an additional amount in the 1982 budget. But the greatest impact is now taking place.

Mr. BOLAND. Page 43 indicates that you are estimating 42 full-time equivalent and $2,677,000 in 1981. Last year you estimated only 37 positions for 1981.

Has this activity gone up in 1981—or is this an area that was impacted with a substantial number of temporary positions?

Mr. TINSWORTH. That program did have a number of temporary positions.

REDUCTIONS IN FIELD OPERATIONS

Mr. BOLAND. Page 51 indicates that you plan to absorb a substantial reduction in field activities—down from 299 FTE in 1981 to 169 in 1982—by reducing the number of field offices from 13 to four or five and closing three field laboratories.

Where will the four or five regional offices be located?

Mr. STATLER. That has not been decided.

Mr. BOLAND. This won't be catastrophic, will it?

Mr. STATLER. I am not sure the reduction of offices is as important as reducing the number of people in those offices.

Mr. BOLAND. How many field laboratories do you have?

Mr. STATLER. There are three: one in Chicago, New York, and San Francisco.

Mr. BOLAND. How many are employed in the field laboratories? If you don't have that, submit it for the record.

[The information follows:]

We have a total of 13 persons in our three field laboratories that perform compliance testing.

Mr. PITTLE. I want to point out one of the major problems with losing people in the field is that it has an adverse impact on our ability to conduct injury investigations. While the loss appears to

be only two people and $15,000 in Hazard Identification Analysis, there is a significant loss of people in the field to do on-site investigations and that will cause a severe impact on injury analysis.

Ms. SLOAN. Also, we will not have them for the enforcement and recalls that need to be done in the field.

SES BONUSES

Mr. BOLAND. What was the total amount of bonuses paid to CPSC employees in 1980 and 1981?

Who received SES bonuses, and in what amounts?

Mr. STATLER. The amounts were $9,000, $6,000, and $3,000. Three people received bonuses. I might only add that we also gave out three incentive awards.

Mr. BOLAND. Who received them?

Mr. STATLER. Specific names?

Mr. BOLAND. Yes.

Mr. STATLER. The bonuses were given to Kirke Harper, head of the Commission's evaluation program, $9,000; Bob Jenkins, head of administration, $6,000; and Rick Tinsworth, who heads our field operation, a $3,000 award. The incentive awards went to Andrew Krulwich, a $5,000 award; Richard Gross, our Executive Director, $2,000; and the head of the Office of Program Management, Bert Simson, received a $2,000 award.

IMPACT OF A REDUCTION IN FORCE

Mr. BOLAND. You will have to come down 100 positions in 1981 and another 100 in 1982. That is correct, isn't it?

Mr. STATLER. That is right.

Mr. BOLAND. Will a reduction-in-force be necessary?

Mr. STATLER. Yes, it will.

Mr. BOLAND. What is the total amount of severance pay you estimate will be associated with this reduction?

Mr. STATLER. We expect to have a reduction-in-force of 120 FTEs. We expect the costs to be between $3.5 million and $3.7 million.

Mr. BOLAND. Of that amount, how much will be required for 1981, and how much will be required for 1982?

Mr. STATLER. We will start on May 1. I do not have the figures. I can supply it for the record as to 1981.

[The information follows:]

Reduction-in-force procedures require extensive periods of time for proper planning, union negotiations and advance notice to employees. We do not expect to actually separate any employees until fiscal year 1982. Therefore, all of the severance pay and related costs will occur in fiscal year 1982.

ASBESTOS

Mr. BOLAND. Mr. Coughlin, do you have some general questions?

Mr. COUGHLIN. Thank you, Mr. Chairman.

The Commission has come a long way in taking a realistic look at what should be done. I congratulate you for taking a hard look at what can be done.

During last year's Committee hearings, I discussed the need to take a look at asbestos products which are literally hazardous in some cases but at the same time work as expeditiously as possible

to ensure that the entire asbestos production industry is not paralized. What is the status of that evaluation?

Mr. STATLER. We have issued a general order relating to asbestos products. We limited it to products that emitted inhalable fibers. The information in response to that general order is now being evaluated, and I understand the staff is preparing a briefing package based on that, with any recommendations coming from the information they received.

Since we last spoke with you last year, we took preliminary action on a product called asbestos paper, which is used as shelf paper. The Commission responded very directly and immediately to that.

Other than that, we are awaiting results from our study of the information in the responses to the general order.

Mr. COUGHLIN. What about asbestos pipe?

Mr. STATLER. It is a problem. To my knowledge, we have not dealt with it at this Commission because it is more a commercial product.

Mr. COUGHLIN. Thank you. I have several other questions which I would like to have answered for the record.

[The questions and answers follow:]

COST-BENEFIT ANALYSIS

Questions. On page two of your statement, you comment that the Commission has become a recognized leader among Federal agencies in performing cost-benefit analysis of proposed rules.

Yet, in today's *Washington Post*, it is stated that in yesterday's Senate hearings you reported your agency is far along in adopting a cost-benefit regulatory apparatus.

Could you comment on this?

Answer. On December 30, 1980, the Commission proposed a regulation setting forth its general methodology for Commission consideration of the various findings under section 9(c) of the Consumer Product Safety Act (CPSA) (45 FR 85773). The section 9(c) findings which are required for the issuance of consumer product safety standards or bans relate to the risk that will be eliminated or reduced by a rule and the costs of a rule. Therefore, the proposed regulation contains the Commission policy on risk assessment and economic considerations, including benefit and cost issues, relevant to issuance of consumer product safety standards or bans. The Commission has received public comment, both oral and written, on the proposed regulation and in the coming months, will decide on what final action to take concerning the proposed rule.

While the Commission issued a proposed generic regulation interpreting section 9(c) several months ago, the Commission has for a number of years, pursuant to section 9(c), been performing cost-benefit evaluations of individual consumer product safety rules issued by the agency. The general rule proposed on December 30 makes available to the public the Commission analytical methodology that has been Commission practice in this area for some time. In addition to consumer product safety rules issued under section 9(c) of the CPSA, the Commission, as a policy matter, performs cost and benefit evaluations of rules it issues under other sections of the CPSA and under the other statutes the Commission administers.

Thus, there is no inconsistency in stating that the Commission is both far along in adopting a generic cost-benefit methodology and a leader among agencies in performing individual cost-benefit evaluations of rules.

Question. Could you tell the Committee what percentage of your fiscal year 1981 and fiscal year 1982 budgets are devoted to educating consumers and that percentage devoted to regulation?

Answer.

[Percent of budget]

	Fiscal year—	
	1981	1982
Informing and educating consumers	10	10
Developing voluntary and mandatory regulations	10	9
Enforcing regulations	24	20

Mr. SABO [presiding]. Congressman Green.

Mr. GREEN. No questions.

Mr. SABO. As an understanding of how your office works in relationship to personnel, and OMB being your regulator, I take it the way the system works is that even if we were to increase the number of employees, you are limited to whatever OMB will grant you?

Mr. STATLER. It is my understanding that this Committee can make recommendations and the Congress can enact a higher budget amount than OMB has requested.

With respect to numbers of employees, from my discussion with Mr. Malow of your staff, I understand that matter is entirely within the prerogative of the OMB, although I take it that this Committee is now questioning that in connection with the recommendations coming from this Committee on the Veterans Administration. I understand there are some letters outstanding on that. But I believe any additions to our personnel mark would have to come from OMB.

Mr. SABO. In other words we set the maximum, and they can set the minimum.

Mr. STATLER. That is right.

Mr. SABO. If there are no further questions, the hearing is adjourned. We will place the justifications in the record at this point.

[The justifications follow:]

APPROPRIATION LANGUAGE PROPOSED BY CPSC

CONSUMER PRODUCT SAFETY COMMISSION

Federal Funds

General and Special Funds:

SALARIES AND EXPENSES

For necessary expenses of the Consumer Product Safety Commission, including rent in the District of Columbia, hire of passenger motor vehicles, services as authorized by 5 U.S.C. 3109, but at rates for individuals not to exceed the per diem rate equivalent to the rate for GS-18, and not to exceed $500 for official reception and representation expenses, [$43,000,000: Provided, That the effective date of the safety standard for walk behind power lawnmowers as promulgated in 16 CFR part 1205 is hereby delayed to June 30, 1982: Provided further, that funds provided by this appropriation for laboratories shall be available only for the acquisistion or conversion of existing laboratories] $32,983,000. (Department of Housing and Urban Development--Independent Agencies Appropriation Act, 1981.)

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BUDGET OVERVIEW

Introduction. The Consumer Product Safety Commission is an independent regulatory agency established by Congress in 1972 (P.L. 92-573) to: (1) protect the public against unreasonable risks of injury associated with consumer products; (2) assist consumers in evaluating the comparative safety of consumer products; (3) develop uniform safety standards for consumer products and minimize conflicting state and local regulations; and (4) promote research and investigation into the causes and prevention of product-related deaths, illnesses, and injuries.

The Commission administers five statutes [1/] which provide a broad range of regulatory and other tools to remedy product-related hazards. During the last year, court decisions have upheld several Commission regulations, and in so doing, have affirmed the direction and analysis used by the Commission in its rulemaking. For example, the Fifth Circuit Court of Appeals, in upholding the Commission's lawn mower standard, approved the Commission's essential approach to regulation under the Consumer Product Safety Act, including our development of data, choice of regulatory options, and analysis of benefits to the public and burdens on industry. In addition, the Second Circuit Court of Appeals denied a challenge to the Commission's regulation for small parts in toys, permitting us to issue under the Federal Hazardous Substances Act broad, prescriptive regulations dealing with hazards common to a class of toy products as opposed to piecemeal regulation of the individual products.

Original Budget Request. The Commission originally requested a budget of $44,559,000 and 942 full-time equivalent work years in January, 1981. At this level, the Commission believes it could have undertaken a carefully balanced product safety program. This program would have permitted us to identify immediate and long-range product safety hazards, to remove them promptly from the marketplace when necessary to protect the public, and to help the public protect itself when government intervention is not appropriate.

Current Budget Request. The Commission's current budget request, at the direction of the Office of Management and Budget (OMB), is for $32,983,000 and 697 full-time equivalent work years. This is a massive decrease totaling $11,576,000 and 245 full-time equivalents less than the Commission's original budget request.

At this level, the Commission will maintain an ongoing product safety program in FY 1982, although achieving substantially less than what could have been accomplished at the January, 1981 budget request level. Such a drastically reduced program will, of necessity, focus on short-term projects. Work will continue on the projects, that we believe have the greatest apparent potential to reduce injuries immediately. This budget, however, severely limits our ability to anticipate and prevent other hazards from claiming lives and injuries. While we will generally be able to identify immediate product safety hazards and remove them from the marketplace when necessary to protect the public, we will be forced to do so in a reactive manner. The current budget request has no funds for long-term projects that prevent death, injury or illness.

1/ The five Acts administered by the Commission are the Consumer Product Safety Act (15 USC 2051), the Flammable Fabrics Act (15 USC 1191), the Federal Hazardous Substances Act (15 USC 1261), the Poison Prevention Packaging Act of 1970 (15 USC 1471), and the Refrigerator Safety Act of 1956 (15 USC 1211).

Our field capabilities will be dramatically reduced with a severe impact on our enforcement and investigational activities. Thus, CPSC will lose most of its ability to independently discover that a product is hazardous or violates a product safety standard. With enforcement and independent data collection lessened, there will be very little incentive for voluntary industry action. We will lose both the direct benefit of our presence in the marketplace as well as the countless intangibles that flow from the broad presence we now maintain.

Accordingly, the Commission seriously questions whether, with the OMB proposed FY 1982 budget and personnel marks, we can fully execute our Congressional mandate to protect consumers from unreasonable risks of injury. The specific impact of the change from the January, 1981 to the March, 1981 budget request is set out in each program description which follows.

The Commission notes that the March, 1981 budget request does not include funds for severance pay for employees who must be dismissed to achieve the 697 FTE ceiling. We expect those funds to be substantial, but further analysis is required to properly estimate the magnitude of this figure. When an accurate estimate is developed, the Commission will have to determine how to meet such costs. Any solution other than a supplemental appropriation, however, will cripple even the short-term agenda described in this budget.

FY 1982 Program Overview. We expect that, as in the past, FY 1982 activities will include mandatory standards, voluntary standards, and product recalls although our efforts in each area will be sharply reduced. The level of funding, requested for FY 1982 by the Office of Management and Budget, will permit us only to continue activities begun in prior years, including work on the Commission's priority projects. An overview of our planned FY 1982 activities follows.

FIRE. According to the National Safety Council, fire is the fourth leading cause of death in the United States, making this country among the world leaders in fire deaths. The Commission has identified four areas which have the greatest promise for reducing fire deaths, injuries, and property loss.

o Smoldering Ignition Sources. Improving upholstered furniture's resistance to smoldering ignition sources such as cigarettes could save over 1,000 lives a year. If the voluntary program developed by the industry is not producing furniture able to resist smoldering ignition, the Commission may take mandatory action in this area.

o Home Wiring and Heating Systems. Fires involving the electrical or heating systems of old and new homes are a major problem. In addition to continuing its aluminum wire litigation, the Commission plans FY 1982 programs to identify and remedy fire hazards in these systems.

o Plastics Flammability. Combustion produces toxic fumes, but the Commission is concerned that the increased use of plastics in home furnishings may present a particularly severe problem. During FY 1982, we will continue to investigate heat release and the toxicity of combustion products, with a long-range goal of reducing the toxicity of fumes from plastics.

o Early Warning. Once a fire starts, lives and property can be saved if consumers are alerted early enough. The Commission plans to continue its efforts to ensure that smoke detectors will perform reliably. This must include encouraging consumers to place smoke detectors properly and to test them periodically.

CHRONIC CHEMICAL HAZARDS. Many consumer products contain substances which, if inhaled, ingested, or absorbed through the skin, may cause injury or illness, sometimes years after exposure. Perhaps more than with any other type of hazard, consumers are largely unable to detect risks themselves. Because of the multiplicity of chemicals, the flood of new research findings, the many routes of exposure, and the difficulty of associating illness with product exposure years earlier, it is extremely difficult for even well-informed consumers to protect themselves. Further, exposure to chronic hazards in consumer products may aggravate or complicate exposures in the workplace, school, or other environments.

The Commission has now established a comprehensive chronic hazards program. In order to set our priorities for this program, we screen chemicals to determine whether they pose risks to the public. Relatively few of these chemicals provide cause for further concern, but some chemicals which are suspect are extensively used in consumer products. Benzidine, which emerged from the screening process in FY 1980, is an example of such a chemical. Benzidine is the building block from which many textile dyes are made. The dyes themselves are carcinogenic, and they can be converted in the body back to benzidine, which is also a carcinogen.

In addressing chronic hazards, the Commission will continue to work through the Interagency Regulatory Liaison Group to ensure cooperation and minimize duplication.

CHAIN SAWS. The Commission has acted previously to reduce risks from several mechanical hazards--lawn mowers and other powered garden tools -- but none is more unreasonably hazardous to the American public than chain saws. At a time when consumers are looking for cheap energy sources, chain saws are being used in increasing numbers, and chain saw injuries are rising even faster than sales. The major chain saw hazard is kickback, which occurs when the upper quadrant of a sharp saw blade, rotating at up to 10,000 rpm, strikes an obstruction, even a knot in the wood. The saw unexpectedly moves backward and upward to the user's shoulder, neck or face in a split second often causing very serious injury or death.

After lengthy attempts to develop a voluntary standard in cooperation with the industry, the Commission voted in FY 1980 to develop a mandatory standard. We recognize that a major effort will be required to complete the standard-writing process but we hope that the Commission will be able to issue a final rule in FY 1982. If, in the meantime, an adequate voluntary standard is proposed, we will defer our mandatory effort.

ENFORCEMENT EFFORT. The Commission has long recognized that voluntary product recalls and corrections under Section 15 are quick and relatively inexpensive, and that a good enforcement program can be a powerful incentive to voluntary action. In FY 1981 and FY 1982, the Commission will set aside significant resources to further ensure analysis and follow-up of reports of possible hazards under Section 15. In addition, we will continue our enforcement of existing standards, and work with industry regarding its obligation to report and correct product hazards.

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In addition to emphasizing Section 15 activities, the Commission in FY 1982 will continue a nationwide program begun in FY 1981 to enforce the Poison Prevention Packaging Act (PPPA). Although we have seen significant drops in ingestions of some products regulated under this Act, prescription drug ingestions have declined less than others. We believe that further accident reduction is possible if pharmacists are encouraged to use the required special packaging. In cooperation with state and local agencies and the Department of Justice, the Commission intends to prosecute violators, when necessary, to reduce this risk of childhood poisonings.

COMMUNICATIONS AND OUTREACH. The Commission has an obligation to reach special groups who need or can use the agency's expertise and information to prevent accidents and promote safety conscious behavior. The Commission will distribute consumer education pamphlets, hazard alert sheets, and recall notices on a variety of products. CPSC will also seek collaborative information and education programs with industry. In addition, one new program is of particular importance:

o Expectant Parent Safety Education. Based on a successful program for expectant parents conducted by the State of New York, the Commission in FY 1981 is beginning a comprehensive educational effort directed at expectant parents. The material will include film and print materials to be available in English, Spanish, and other languages as needed. The material will be offered at expectant parent classes, prenatal hospital clinics, and infant care institutions. In these classes, expectant parents, who are eager for information, will be taught how to shop for safe children's products, how to care safely for their children, and how to make their homes and environments as injury-free as possible. The program will continue in FY 1982.

Budget Format. This budget is organized in three sections which provide a clear picture of the agency's structure, substantive programs, and the choices available in allocating staff and dollar resources. The three sections are:

I. Commission Policy Development and Direction - Commissioners and staff offices.

II. Product Safety and Enforcement - Hazard programs and scientific and technical staff support.

III. Administration and General Support - General overhead, supplies, and services such as personnel and contracts administration.

Accounting for Personnel Resources. In this budget all personnel resources are shown in terms of full-time equivalent (FTE) employment. One FTE is equal to one person working full time for a year (one working year). Two people working for only six months each or two people, each working 20 hours a week instead of 40, would also equal one FTE. Starting in FY 1982, the Office of Management and Budget will control all federal civilian employment on the basis of FTE employment rather than on end-of-year positions. The Thomas Charts in Appendix B provide a breakdown of full-time permanent positions.

U. S. CONSUMER PRODUCT SAFETY COMMISSION

SUMMARY OF RESOURCES FOR FY 1980, 1981, and 1982
(Funds In Thousands of Dollars)

	FY 1980 (Actual)		FY 1981 Estimate		FY 1982 Estimate		Difference 1981 - 1982	
	FTE	Funds	FTE	Funds	FTE	Funds	FTE	Funds
I. Commission Policy Development and Direction	89	3,864	90	4,126	89	4,310	- 1	+ 184
II. Product Safety and Enforcement								
Office of Executive Director	39	1,646	36	1,482	23	1,091	-13	- 391
Hazard Programs								
Emerging Hazards	17	665	28	1,427	30	1,482	+ 2	+ 55
Fire/Thermal Burn	20	1,168	13	537	18	1,017	+ 5	+ 480
Electrical Hazards	27	1,492	25	1,367	15	809	-10	- 558
Acute Chemical Hazards	11	393	14	720	10	410	- 4	- 310
Chronic Chemical Hazards	39	2,024	44	2,852	47	2,428	+ 3	- 424
Mechanical Hazards - Child/Recreation	12	490	14	805	12	510	- 2	- 295
Mechanical Hazards - Power Equipment	14	685	13	707	17	992	+ 4	+ 285
Mechanical Hazards - Household Products	22	988	13	804	12	533	- 1	- 271
On-going Activities								
Hazard Identification & Analysis	53	3,181	36	3,057	36	2,385	--	- 672
Engineering & Sciences	26	1,607	30	2,291	23	1,601	- 7	- 690
Information & Education	54	3,406	42	2,677	40	2,400	- 2	- 277
Compliance & Enforcement	87	4,147	62	2,929	55	2,612	- 7	- 317
Field Activities	326	11,023	299	11,047	169	6,297	-130	-4,750
(Subtotal Product Safety and Enforcement)	(747)	(32,915)	(669)	(32,702)	(507)	(24,567)	(-162)	(-8,135)
III. Administration & General Support	142	5,670	132	5,312	101	4,106	- 31	-1,206
TOTAL, COMMISSION RESOURCES	978	42,449	891	42,140	697	32,983	-194	-9,157
Reimbursements	--	596	--	548	--	550		
		43,045		42,688		33,533		

Comparison of FY 1982 Budget Request September 1980
with FY 1982 Budget Request January and March 1981
(Funds in Thousands of Dollars)

	FY 1982 Budget Request September 1980		FY 1982 Budget Request January 1981		September 1980-January 1981 Difference		FY 1982 Budget Request March 1981		January 1981-March 1981 Difference	
	FTE	Funds	FTE	Funds	FTE	Funds	FTE	Funds	FTE	Funds
I. Comission Policy Development and Direction	92	4,284	92	4,284	—	—	89	4,310	-3	+26
II. Product Safety and Enforcement										
Office of Executive Director	31	1,402	31	1,402	—	—	23	1,091	-8	-311
Hazard Programs										
Emerging Hazards	33	1,698	33	1,653	—	-45	30	1,482	-3	-171
Fire/Thermal Burn	20	1,528	20	1,411	—	-117	18	1,017	-2	-394
Electrical Hazards	20	1,196	20	1,196	—	--	15	809	-5	-387
Acute Chemical Hazards	15	596	13	532	-2	-64	10	410	-3	-122
Chronic Chemical Hazards	70	5,472	68	4,275	-2	-1,197	47	2,428	-21	-1,847
Mechanical Hazards - Child/Rec.	17	673	16	648	-1	-25	12	510	-4	-138
Mechanical Hazards - Power	25	1,445	25	1,445	—	--	17	992	-8	-453
Mechanical Hazards - Household	26	1,229	17	885	-9	-344	12	533	-5	-352
Ongoing Activities										
Hazard Identification & Analysis	39	2,702	38	2,400	-1	-302	36	2,385	-2	-15
Engineering and Sciences	31	2,401	29	2,049	-2	-352	23	1,601	-6	-448
Information and Education	42	2,906	42	2,750	—	-156	40	2,400	-2	-350
Compliance and Enforcement	70	3,297	70	3,150	—	-147	55	2,612	-15	-538
Field Operations	284	11,360	284	11,110	—	-250	169	6,297	-115	-4,813
(Subtotal Product Safety and Enforcement)	(723)	(37,905)	(706)	(34,906)	(-17)	(-2,999)	(507)	(24,567)	(-199)	(-10,339)
III. Administration and General Support	144	5,524	144	5,369	—	-155	101	4,106	-43	-1,263
GRAND TOTAL	959	47,713	942	44,559	-17	-3,154	697	32,983	-245	-11,576

I. COMMISSION POLICY DEVELOPMENT AND DIRECTION
(Funds in Thousands of Dollars)

FY 1980 (Actual)		FY 1981 (Estimate)		FY 1982 Request January, 1981 (Estimate)		FY 1982 Request March, 1981 (Estimate)		Difference FY 1982 Requests January to March	
FTE	Funds	FTE	Funds	FTE	Funds	FTE	Funds	FTE	Funds
89	$3,864	90	$4,126	92	$4,284	89	$4,310	-3	+ $26

Program Description

The Commission requests 89 FTE's and $4,310,000 to carry out its policy development and direction functions during FY 1982.

The Consumer Product Safety Commission is led by five Presidentially-appointed Commissioners who share equally in making policy decisions about Commission activities. From the variety of remedial actions available, these officials must choose the approach or approaches most suitable for protecting the public. To make their decisions, they must consider the costs and benefits of proposed actions and weigh the legal consequences of such actions. Equally important, they must maintain an overall perspective on what can be done given the Commission's resources. Besides making decisions on all regulatory matters, the Commissioners establish goals, objectives, and priorities and provide overall direction to the staff. The Chairman of the Commission is also the Commission's principal executive officer and, subject to general policies of the Commission, is responsible for exercising all of the administrative and executive functions of the Commission. Each Commissioner has a staff to provide assistance.

In addition to the Commissioners and their staffs, this activity includes all the Commission offices reporting directly to the Chairman:

o Office of the General Counsel -- provides legal advice to the Commissioners, ensures that the Commission's activities are in accordance with applicable laws and regulations, and represents it in federal court litigation. Responsibilities include participation in international product safety programs for the United States.

o Office of Congressional Relations -- maintains liaison with Congress on matters concerning the Commission and the Congress.

o Office of the Secretary -- maintains the Commission's official files, administers the Commission's Freedom of Information Program, carries out the Commission's responsibilities under the Privacy and Sunshine Acts, and manages the Commission's Advisory Committees.

o Office of Media Relations -- ensures that the public is kept informed of important Commission activities by coordinating contacts with the press.

o Office of Internal Audit -- an internal "watchdog" office charged with ensuring that Commission programs are carried out in the most efficient manner.

o Office of Equal Employment Opportunity and Minority Enterprises -- implements the Commission's affirmative action and other equal employment opportunity programs, and ensures the support of minority owned and controlled businesses through contract awards. This office administers the "Upward Mobility" program which trains clerical staff for professional positions.

Impact of Change From January, 1981 to March, 1981 Budget Request

The change in the CPSC budget request from January, 1981 to March, 1981 in this functional area represents a decrease of 3 FTE's and an increase of $26,000. The January, 1981 Budget submission did not reflect a transfer of positions to the Office of the General Counsel as a result of a reorganization of the CPSC compliance function. This budget submission reflects that change. The decrease in FTE's thus appears less than it actually is. Funds increase slightly to account for the relatively high salaries of the transferred positions.

In order to support the President's budget request of $32,983,000 as opposed to the January, 1981 request of $44,559,000, the Commission has made a number of adjustments in the policy development and direction program. The agency plans to decrease the professional staff of the offices covered by this program, including the Commissioners' staffs, by almost twenty percent. These decreases will slow the agency's decision-making process, may delay the release of information in response to Freedom of Information Act requests, and will reduce our public participation activities. The Office of the General Counsel will be hampered in providing analyses of legal issues before the Commission. Nevertheless, the Commission will strive to make its policy development and direction program function effectively in 1982.

To achieve the $32,983,000 funding level, CPSC also recommends the elimination of the Commission's Advisory Committees including the Toxicological Advisory Board. Although the committees have been valuable sources of advice and counsel to the agency, the Commission does not believe it can continue funding the committees in 1982. To balance the loss of these committees, CPSC plans to make greater use of other avenues for obtaining input to agency decisions such as public meetings and hearings.

II. PRODUCT SAFETY AND ENFORCEMENT
A. Office of the Executive Director
(Funds in Thousands of Dollars)

FY 1980 (Actual)		FY 1981 (Estimate)		FY 1982 Request January, 1981 (Estimate)		FY 1982 Request March, 1981 (Estimate)		Difference FY 1982 Requests January to March	
FTE	Funds	FTE	Funds	FTE	Funds	FTE	Funds	FTE	Funds
39	$1,646	36	$1,482	31	$1,402	23	$1,091	-8	-$311

Program Description

The Commission requests 23 FTE's and $1,091,000 to carry out these key management functions.

The Office of the Executive Director includes the Executive and Deputy Executive Director; the Office of Budget, Program Planning, and Evaluation; and the management portion of the the Office of Program Management.

Under the broad direction of the Chairman and in accordance with Commission policy, the Executive Director, as chief operating manager of the agency, oversees the development of overall plans, regulatory options, budgets, and operating plans for Commission approval, and manages the execution of these activities. The Commission's directorates (Hazard Identification and Analysis, Engineering, Health Sciences, Communications, Compliance and Administrative Litigation, Field Operations, and Administration) all report directly to the Executive Director, as do the Office of Budget, Program Planning, and Evaluation and the Office of Program Management.

The Office of Budget, Program Planning, and Evaluation is responsible for long-range and operational planning, resource allocation and control, and evaluation activities. These key management functions provide consolidated planning and management controls, and ensure that the results of evaluations are considered carefully in planning for future years.

The Office of Program Management manages the Commission's hazard-related programs and projects. The Commission uses a multi-disciplinary team approach in each of the hazard areas. Program Management staff works together with personnel from the seven functional directorates and the Office of the General Counsel to ensure that the legal, technical, economic, social, and environmental aspects of regulatory and other projects are presented to the Commission as objectively and comprehensively as possible. Office of Program Management staff also monitors voluntary standards activities to ensure that the Commission is aware of industry plans. Once the Commission decides to participate in a voluntary standard effort, staff from the appropriate hazard program takes the lead. Only Program Management direction and support are included in this activity; other resources are included under individual hazard programs.

Impact of Change From January, 1981 to March, 1981 Budget Request

The reduction in this functional area amounts to 8 FTE's and $311,000.

The professional staff of the offices in this program area will be decreased by over 25%. In addition to this basic cut, the Office of Program Management (OPM) will be reduced by 11 positions (most of these positions are distributed in the hazard programs). The OPM cut will allow the agency to maintain the basic structure of the agency's matrix organization used to develop product safety rules and bans. The effect of reducing the number of program managers will be to delay the writing of mandatory standards, reduce CPSC involvement in voluntary standards development and narrow the number of projects in which the Commission is involved.

The loss of staff in the Office of Budget, Program Planning and Evaluation will significantly reduce the agency's ability to satisfy Congressional direction to regularly review and/or revoke existing rules.

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II. PRODUCT SAFETY AND ENFORCEMENT

B. Hazard Programs

1. Emerging Hazards

(Funds in Thousands of Dollars)

FY 1980 (Actual)		FY 1981 (Estimate)		FY 1982 Request January, 1981 (Estimate)		FY 1982 Request March, 1981 (Estimate)		Difference FY 1982 Requests January to March	
FTE	Funds	FTE	Funds	FTE	Funds	FTE	Funds	FTE	Funds
17	$ 665	28	$1,427	33	$1,653	30	$1,482	-3	-$171

Program Description

The Emerging Hazards Program has three responsibilities - New Project Identification, Product Safety Assessment, and Petitions Processing.

o New Project Identification. This group collects and analyzes information about product hazards that may require Commission action by voluntary action, regulation or litigation. If the Commission determines that regulatory action or other steps are necessary, project responsibility is transferred to the appropriate hazard program. This group takes steps to ensure that industry is made aware of staff concerns about particular products and frequently can encourage industry to correct problems on a voluntary basis, avoiding the necessity for regulatory development.

o Product Safety Assessment. Established in FY 1981, the Product Safety Assessment Program provides rapid, authoritative response to unprogrammed demands for technical evaluation of issues before the Commission. The program's primary emphasis is to provide technical support to determine substantial product hazards and appropriate corrective actions. From November 3, 1980 to February 28, 1981, the program had supported staff work on 52 separate product safety analyses.

o Petitions. This group investigates concerns that the public has brought to the Commission's attention by petition. Several of our current product hazard activities (i.e., chain saws, unvented gas-fired space heaters, asbestos paper and tape, and home insulation) were initiated in response to petitions. The Commission is also frequently petitioned by private industry to amend existing regulations or to provide exemption from enforcement under existing regulations. Examples of such petitions are recent requests from prescription drug manufacturers, a power mower manufacturer and several refuse haulers.

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FY 1980 and FY 1981 Activities

o By the end of FY 1981, the New Project Identification team will have forwarded to the Commission recommendations addressing potential hazards such as automatic garage door openers and exploding glass carbonated soft drink bottles. In addition, we have issued warnings through industry associations on the hazards related to flexible gas connectors and are monitoring industry labeling initiatives for solar pool covers which were associated with 3 deaths in 1980.

o In FY 1980 the Commission received 14 new petitions. By February 28, 1981, the Commission had acted on 22 petitions carried over from FY 1979, 10 petitions received in FY 1980, and 1 of 5 petitions received in FY 1981. At the end of FY 1980 the Commission had 3 petitions that were over 120 days old, compared with 10 such petitions at the end of FY 1979. Both streamlining the development of briefing materials and closer management by the Executive Director have facilitated our handling of petitions.

o The interdisciplinary Product Safety Assessment team has now been integrated into the Emerging Hazards Program and is working on numerous products involving serious consumer injury or death.

Proposed Activities for FY 1982

For FY 1982 the Commission requests 30 FTE's and $1,482,000 to continue these activities.

Impact of Change from January, 1981 to March, 1981 Budget Request

The decrease in this program amounts to 3 FTE's and $171,000.

The Commission will not be able to address all petitions received within the 120 days required by the Consumer Product Safety Act. There will be delays, therefore, in beginning any rulemaking requested in these petitions whether they involve development of new mandatory product safety standards or amendments to existing regulations. There will also be a decrease in the staff's ability to respond to new hazards, and fewer staff contacts with industry to advise them of generic safety problems associated with various products. The Commission will also be less able to recommend changes in voluntary standards to address these problems. These cuts will reduce the number of preventive projects we initiate and relegate the Commission to a more reactive posture.

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II. PRODUCT SAFETY AND ENFORCEMENT

B. Hazard Programs

2. Fire and Thermal Burn Program

(Funds in Thousands of Dollars)

FY 1980 (Actual)		FY 1981 (Estimate)		FY 1982 Request January, 1981 (Estimate)		FY 1982 Request March, 1981 (Estimate)		Difference FY 1982 Requests January to March	
FTE	Funds	FTE	Funds	FTE	Funds	FTE	Funds	FTE	Funds
20	$1,168	13	$537	20	$1,411	18	$1,017	-2	-$394

Program Description

Fire is the fourth most frequent cause of accidental death in the United States and the second most frequent cause of accidental death in the home. The U.S. Fire Administration (USFA) and the National Fire Protection Association (NFPA) estimate that 300,000 fire-related injuries and 7,800 fire-related fatalities occur annually. USFA estimates that fire related property losses reach $5.7 billion annually.

The Commission's activities to reduce fire related injuries and deaths cross hazard program lines. The Fire and Thermal Burn Program is concerned with incidents involving contact with open flames and hot surfaces; the role of consumer products as fuels, ignition sources, and potential burn hazards; and the toxic gases produced during combustion. This program is also concerned with encouraging the use, and ensuring the adequacy, of early warning devices such as smoke detectors.

FY 1980 and FY 1981 Activities

o Upholstered Furniture. At least 1,200 people die and 3,700 are injured each year in upholstered furniture fires started by cigarettes. Based on a preliminary evaluation of the voluntary program developed by the upholstered furniture industry, the Commission postponed promulgation of its mandatory standard for one year to permit a full evaluation. The staff will present its evaluation of the industry's program to the Commission in FY 1981.

o Unvented Gas-Fired Space Heaters. We estimate that 70 people die each year when unvented gas-fired space heaters fill their living quarters with carbon monoxide gas. A device known as an oxygen depletion sensor can be used to shut off heaters if the oxygen in the room falls below a safe level which indicates that the heaters are producing high levels of carbon monoxide. In FY 1980 the Commission published a final rule that would require oxygen depletion sensor systems on all unvented gas heaters.

o Coal and Wood Burning Stoves. High energy prices have led to a dramatic increase in the use of alternate heat sources like freestanding coal and wood stoves. We estimate that 14,000 fires per year are related to coal and wood burning stoves. Improper installation is responsible for about 78% of these fires. In FY 1981, the Commission expects to publish a rule requiring that these stoves have labels bearing information on proper installation, use and maintenance.

o Smoke Detectors. Current research indicates that perhaps 10-15% of smoke detectors may for unknown reasons fail to operate in fires. The Commission is continuing to cooperate with the USFA in investigating smoke detector performance in fire situations. Commission cooperation with the USFA includes evaluation of smoke detectors which have failed to activate in actual fires.

o Mattress Flammability. During FY 1980 the Commission completed a review of the mattress flammability standard. Based upon this evaluation the Commission expects to simplify its sampling and recordkeeping requirements to reduce manufacturers' costs while maintaining a high level of protection for the public.

o Plastics Flammability Research. By the end of FY 1981, we expect to have completed two years of a three year study of the flammability of plastics in consumer products. Using the data from full-scale flammability tests on selected products, the Commission staff will identify or, if necessary, begin development of a small-scale test for hazardous characteristics such as heat release and smoke generation. In addition the Commission is working with the National Bureau of Standards (NBS) ad hoc committee on combustion toxicity to develop a test protocol for identifying unusually toxic combustion products.

o Fireplaces/Chimneys/Connectors/Flues. Data from the USFA indicate that in 1978, there were 23,000 fires and 60 deaths associated with chimneys and flues alone. In FY 1981, the Commission staff will investigate these products to determine their specific hazards and will make recommendations for appropriate Commission activities.

o Interagency Cooperation. The Commission maintains close working relationships with the USFA, the National Bureau of Standards, the Department of Energy, and state and local fire officials. These organizations, which have no similar regulatory powers, provide the Commission with detailed data on fire incidents and causes. The Commission can then identify and, if necessary, regulate significant fire hazards, ensuring a consistent, non-duplicative approach to the nation's fire problem.

Proposed Activities for FY 1982

The requested funding for the Fire and Thermal Burn Program, 18 FTE's and $1,017,000, will permit the Commission to work on the following:

o Upholstered Furniture. Based on the evaluation of the industry's voluntary program to reduce cigarette ignition of upholstered furniture, the Commission may continue to support and monitor voluntary action, reinstitute mandatory standard proceedings, or take other appropriate action.

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o Plastics Flammability Research. The Commission will continue research concerning work on the development of small-scale flammability tests to determine the hazards associated with the use of polyurethane foam in mattresses and upholstered furniture.

o Toxicity of Combustion Products. Over half the fire deaths in the United States result from toxic combustion products. The Commission plans to study and identify materials which produce unusually toxic combustion products.

o Heating Systems. The Commission will study heating systems including portable heating appliances, water heaters, chimneys, central furnaces, and gas appliances to determine whether voluntary or mandatory improvements can be made.

o Smoke Detectors. CPSC will implement results of research on smoke detector performance.

Impact of Change from January, 1981 to March, 1981 Budget Request

The reduction in this program amounts to 2 FTE's and $394,000.

At the March, 1981 budget request level, the Commission will eliminate planned work on wearing apparel and modifying existing flammability standards. The wearing apparel project would have examined the need to update our standards in this area. Each year there are approximately 3,000 injuries and 300 deaths due to wearing apparel fires. The modification of existing flammability standards would have possibly allowed the Commission to reduce the burden of its rules on industry. The project on toxicity of combustion products will be funded at 60% of its originally proposed level, thus delaying the identification of toxic combustion products.

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II. PRODUCT SAFETY AND ENFORCEMENT
B. Hazard Programs
3. Electrical Hazards Program
(Funds in Thousands of Dollars)

FY 1980 (Actual)		FY 1981 (Estimate)		FY 1982 Request January, 1981 (Estimate)		FY 1982 Request March, 1981 (Estimate)		Difference FY 1982 Requests January to March	
FTE	Funds	FTE	Funds	FTE	Funds	FTE	Funds	FTE	Funds
27	$1,492	25	$1,367	20	$1,196	15	$809	-5	-$387

Program Description

The Commission's Electrical Hazards Program works to reduce injuries from electrical shock and electrical fire. According to the National Center for Health Statistics, as many as 1,200 people die as the result of electric shock each year. We estimate that consumer products within our jurisdiction are involved in half of these accidents. About 20% of all residential fires, or about 143,000 annually, are believed to be electrical in origin.

The Commission's electrical hazards program has developed a comprehensive approach to the problems of electrical fire and electrical shock. Because of the diversity of electrical products and the complexity of potential problems with these products, we have developed a three part program.

First, we are seeking to identify and correct the specific hazards of particular consumer products such as communications antennas and extension cords. Second, we are investigating the ways in which components of residential electrical systems (i.e., wiring, circuit breakers, and fuse boxes) may contribute to electrical hazards. Work in this area has led the Commission to file a Section 15 Consumer Product Safety Act suit in federal court seeking to have certain types of aluminum wiring declared an imminent hazard, to study methods for testing the reliability of overcurrent protection devices (such as circuit breakers and fuses), and to evaluate other hazards posed by home wiring systems. Finally, we are examining broader problems, such as grounding and current leakage, which are common to many seemingly diverse electrical products.

The Commission believes that this three-fold approach provides the maximum potential for protecting consumers from the dangers of electrical shock and electrical fire.

FY 1980 and FY 1981 Activities

o Residential Electrical Wiring Systems. In FY 1980 the Commission conducted in-depth fire investigations and laboratory research to identify defects and hazardous conditions involving wires and cables, overcurrent protection devices, and connectors and switches. The home wiring system contains a variety of devices that may either be hazardous by themselves or when combined with other devices. As many as half of all home electrical fires involve these devices. As part of our effort, the Commission staff developed test equipment to check the performance of residential circuit breakers and will conduct tests in the laboratory in FY 1981.

o Communications Antennas. In 1979, it is estimated that 50 people were electrocuted as they installed or removed home CB or omnidirectional antennas inadvertently bringing them into contact with overhead power lines. In FY 1980, the Commission staff continued work on a mandatory standard for omnidirectional CB antennas. The Commission will receive staff recommendations on a possible mandatory standard in FY 1981.

o Electric Blankets. Electric blankets are used in one-third of American homes. On the basis of a significant number of incidents identified by the Emerging Hazards Program, the Commission has initiated a study of the fire hazards of these blankets. The results of the study, along with recommendations for improving the existing voluntary standard, will be forthcoming during FY 1981.

o Current Leakage. Electrical current leaks from all electrical appliances, although the level is usually so low that no serious hazard exists. There are, however, several fatalities each year from excessively high levels of leakage. In FY 1980, the Commission completed the major portion of a research project to develop new methods and instrumentation to measure leakage current. In FY 1981, the Commission expects to further refine the test methodology for use in product evaluation.

o National Electrical Code Improvements. The Commission continued working with voluntary standards groups and code panels to develop standards to reduce the risk of electrical fire and shock. In FY 1980, the Commission recommended standards for insulating materials on service entrance cables. In FY 1981, the Commission expects to make recommendations to address the potential fire hazard posed when thermal insulation is placed on electrical wiring.

o Electric Cords - Fire Hazards. Electric cords are involved in 10% of all residential electrical fires. In FY 1980 and FY 1981 we are developing techniques to determine the mechanism by which cords contribute to fires.

Proposed Activities for FY 1982

The requested funding for the Electrical Hazards Program, 15 FTE's and $809,000, will allow the Commission to work on the following:

o Communications Antennas. Based on a FY 1981 decision, the Commission will decide whether to issue a final rule in FY 1982.

o Electric Blankets. In FY 1982 we will begin to test and analyze new blanket designs and evaluate new provisions of the existing voluntary safety standards. If necessary, the Commission will take regulatory action.

o Residential Electric Wiring Systems. The Commission will consider strategies for reducing the risk of fires and shock from the variety of electric devices found in homes including household wiring, circuit breakers, switches, outlets and light fixtures.

o Voluntary Standards. The Commission staff will continue to support voluntary standards efforts in the electric products area by working with the National Fire Protection Association.

Impact of Change From January, 1981 to March, 1981 Budget Request

The decrease in this program amounts to 5 FTE's and $387,000.

The Commission has eliminated projects in the following areas:

1. National Electrical Code - 75,000 residential electrical fires each year could be reduced by improving the code.

2. Light Fixtures - CPSC will not be able to perform laboratory tests to investigate the causes of 8,000 fires associated with light fixtures each year.

3. Monitoring Television Voluntary Standard Effectiveness - In 1977, there were 11,000 TV fires. Voluntary efforts since then may have solved this problem, but we have no resources in the FY 1982 Budget to confirm this.

4. Electric Clothes Dryers - CPSC will not be able to begin laboratory testing to determine the causes of dryer fires. There are 18,000 electric clothes dryer fires each year.

5. Leakage Current Test Method - the agency will not use test methods developed in 1980 and 1981 to test various products and develop regulatory options.

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II. PRODUCT SAFETY AND ENFORCEMENT
B. Hazard Program
4. Acute Chemical Hazards Program
(Funds in Thousands of Dollars)

FY 1980 (Actual)		FY 1981 (Estimate)		FY 1982 Request January, 1981 (Estimate)		FY 1982 Request March, 1981 (Estimate)		Difference FY 1982 Requests January to March	
FTE	Funds	FTE	Funds	FTE	Funds	FTE	Funds	FTE	Funds
11	$393	14	$720	13	$532	10	$410	-3	-$122

Program Description

In 1979, an estimated 245,000 people (110,000 of them children under five) were treated in hospital emergency rooms for poisoning, chemical burns, and other acute injuries associated with chemical consumer products. This figure does not reflect the accident victims who sought treatment from private physicians.

The Commission's Acute Chemical Hazards Program is concerned with products that have immediate injurious effects. Such hazards have long been recognized and Congress has given the Commission specific powers to deal with them. Under the Poison Prevention Packaging Act (PPPA) the Commission may require child-resistant packaging for hazardous household substances. The Federal Hazardous Substances Act (FHSA) sets minimum labeling requirements for hazardous household substances and allows the Commission to require additional cautionary labeling, if necessary. The FHSA also allows the Commission to ban products altogether if labeling is inadequate to protect the public.

Special child-resistant packaging requirements are now in effect for fourteen categories of hazardous substances, but vigilant surveillance is needed to ensure compliance with these regulations. The constant flow of new products to the marketplace requires careful monitoring of data from the Commission's National Electronic Injury Surveillance System, the National Clearinghouse for Poison Control Centers, in-depth investigations, and death certificates to identify new problem areas.

FY 1980 and FY 1981 Activities

o PPPA Exemption. In FY 1980, the Commission issued a final rule on procedures and requirements for petitioning CPSC for exemption from special packaging requirements. The Commission approved exemptions for potassium supplements in effervescent form, sodium fluoride preparations, acetaminophen preparations and isosorbide dinitrate preparations.

o Toxicological Advisory Board. In response to a preliminary report by the Board recommending revisions in labeling requirements and guidelines under the FHSA, the Commission proposed revised labeling guidelines for products containing hydrofluoric acid. We expect that the TAB will complete its review of labeling requirements and guidelines late in FY 1981.

o Dual Purpose Closures. In FY 1981 the Commission will consider the use of dual purpose closures to meet child-resistant packaging requirements and, if necessary, will initiate regulatory action.

o Over-the-Counter Antihistamines. Many antihistamines have been removed from the prescription drug list by the Food and Drug Administration. In FY 1981, the Commission will begin investigating these drugs to determine whether child resistant packaging is required.

o Sulfuric Acid Drain Cleaners. Drain cleaners of this type can react violently with standing water in drains and spatter users and bystanders with acid. The Commission will decide whether to propose a ban in FY 1981.

Proposed Activities for FY 1982

The requested funding for the Acute Chemical Hazards Program, 10 FTE's and $ 410,000, will permit the Commission to work on the following:

o PPPA Test Protocol. The Commission will consider revisions to the PPPA test protocol in FY 1982, reducing the requirements for size and number of age groups tested and making the test less costly for industry to administer.

o Over-the-Counter Antihistamines. In FY 1982 the Commission may propose a regulation requiring special packaging for these drugs.

o Poison Prevention Education. CPSC will continue to support the National Poison Prevention Week.

o Monitor Regulations. The Commission will respond to requests from industry for exemptions under the PPPA and FHSA.

Impact of Change from January, 1981 to March, 1981 Budget Request

The reduction in this program amounts to 3 FTE's and $122,000.

Reduced resources may delay some projects. For example, the Commission may have to move more slowly on the PPPA test protocol project, which is designed to reduce the compliance burden on industry. Resource limitations may also require the merger of the acute program with another hazard program. The Commission plans to recommend the elimination of the Toxicological Advisory Board.

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Impact of Change from January, 1981 to March, 1981 Budget Request

The reduction in this program amounts to 3 FTE's and $122,000.

Reduced resources may delay some projects. For example, the Commission may have to move more slowly on the PPPA test protocol project, which is designed to reduce the compliance burden on industry. Resource limitations may also require the merger of the acute program with another hazard program. The Commission plans to recommend the elimination of the Toxicology Advisory Board.

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II. PRODUCT SAFETY AND ENFORCEMENT
B. Hazard Program
5. Chronic Chemical Hazards Program
(Funds in Thousands of Dollars)

FY 1980 (Actual)		FY 1981 (Estimate)		FY 1982 Request January, 1981 (Estimate)		FY 1982 Request March, 1981 (Estimate)		Difference FY 1982 Requests January to March	
FTE	Funds	FTE	Funds	FTE	Funds	FTE	Funds	FTE	Funds
39	$2,024	44	$2,852	68	$4,275	47	$2,428	-21	-$1,847

Program Description

The goal of the Chronic Chemical Hazards Program is to reduce or eliminate consumer exposure to products which may cause or contribute to chronic illness and injury. The most obvious and perhaps most serious chronic health hazard is cancer - which causes almost 1,100 deaths per day in this country. Cancer will strike one out of four Americans in their lifetimes. CPSC is uniquely qualified to protect the public from such exposure because of its ability to regulate or ban specific consumer products under the Consumer Product Safety Act and the Federal Hazardous Substances Act.

The Commission estimates that more than 25,000 different chemicals are used in consumer products. Some of these chemicals may cause adverse chronic health effects such as cancer, miscarriages, birth defects, genetic damage, or sterility. Chemicals are used extensively in household and hobby products, structural components of the home, clothing, and furniture. In addition, some household appliances generate, as a by-product of their functioning, potentially hazardous chemicals which are released into the household air. Population exposure may be quite high because of the widespread distribution of chemicals in consumer products. In addition, the use of some consumer products may result in almost continuous exposure to specific substances, for example, by constant evaporation or volatilization of substances in the home.

Adverse chronic health effects which result from such exposures may manifest themselves in a relatively short time, as with certain neurological effects or birth defects. Other effects, such as cancer, may only appear many years after the exposure. Because the population exposed in the home includes some particularly vulnerable groups, such as young children, pregnant women and the elderly, it is important to eliminate or reduce exposures that pose chronic hazards.

Over the past year, the Commission achieved a major objective in dealing with chronic hazards. We have implemented a well-defined process for identifying, evaluating and regulating chronic hazards associated with human exposure to chemicals in consumer products.

The first phase is screening. Chemicals that may pose a hazard are investigated for their toxic properties and presence in consumer products.

The second phase, hazard and exposure assessment, includes intensive studies of health effects, marketing patterns, and human exposure.

In the third phase, options for reducing consumer exposure are developed for those chemicals in our jurisdiction which the staff concludes are significant risks by virtue of the combination of health effects and exposure rate.

The fourth and final phase, regulation, is reserved for those chemicals which the Commission has determined pose an unreasonable risk and for which voluntary efforts have not been successful. The Commission considers specific regulatory initiatives, weighs the benefits against the costs, and decides whether to remove such chemicals from commerce or to establish permissible use levels.

The screening and hazard assessment process has identified twenty chemicals, groups of chemicals, or substances which are used in consumer products and which may pose a risk of chronic health effects. These are being considered for possible remedial action or are undergoing further in-depth analysis. These substances include:

- acrylamide
- asbestos
- benzene
- benzidine-type dyes
- cadmium compounds
- chromium compounds
- coumarin
- ethylene dichloride
- formaldehyde
- hexane
- methyl ethyl ketone
- methyl n-butyl ketone
- perchloroethylene
- di(ethylhexyl)phthalate
- thiourea
- trichloroethylene
- styrene

Completing action on these substances, some of which have been used extensively in homes, schools, factories, and the environment, is a major objective of the Chronic Chemical Hazards Program.

In seeking to reduce exposure to chronic chemical hazards, the Commission must also consider substitutes that may appear on the market as a consequence of regulation. For this reason, we have integrated projects into thematic programs such as indoor air pollution, dyes, plastics, and combustion products. Project work will take place both within the agency and through interagency coordination.

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A second major objective is improving the efficiency and effectiveness of our chronics program. CPSC will continue to cooperate with other federal agencies through such vehicles as the Interagency Regulatory Liaison Group and the National Toxicology Program. This approach has already proven effective in minimizing duplication of effort and achieving consistent, government-wide approaches to similar issues.

Information about the chemicals present in consumer products is vital to any assessment of risk and consequent need for regulation. CPSC is exploring new or improved tools for obtaining up-to-date formulary data, especially information on new uses of chemicals. Cooperation and information sharing with EPA, which has already developed systems for receiving industry notification on new chemicals, new uses of familiar chemicals, and health effects data, are being pursued.

We believe that increased use of Section 15 of the Consumer Product Safety Act holds great promise for reducing exposure to chronic hazards. It has the advantages of flexibility, speed of action, and manufacturers' willingness to undertake voluntary corrective actions. In order to apply Section 15 to chronic hazards, we will consider developing a definition of substantial product hazard for chemical products, clarifying industry reporting requirements, and establishing an internal chemical hazards review mechanism.

Mathematical models and inexpensive predictive tests could help make exposure assessments and risk assessments more efficient and less costly. In the past year, CPSC has begun work in these two areas and will continue to develop and refine these tools.

FY 1980 and FY 1981 Activities

o Asbestos. Inhalation of microscopic fibrous particles of this mineral compound is widely recognized as a cause of lung cancer in humans. CPSC has published an Advance Notice of Proposed Rulemaking and has issued a general order requiring manufacturers of selected asbestos-containing products to report information on uses, markets, and public exposure. In addition, CPSC is currently developing a proposed rule to control public exposure to selected consumer products shown to release asbestos and expects to recommend a labeling rule for a number of other products. We also expect to publish, jointly with the EPA, an information booklet on asbestos hazards in the home.

o Benzidine-Type Dyes. Benzidine (BZD) and two closely related compounds, o-tolidine (DMB) and o-dianisidine (DMOB), constitute a family of aromatic amines. These compounds are the starting materials in the synthesis of more than 400 possible dyes categorized as BZD dyes, DMB dyes, and DMOB dyes, whose major use is to color cotton and rayon textiles, leather and paper. BZD dyes, DMB dyes, and DMOB dyes (formerly

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referred to as Type I, Type II, and Type III dyes respectively) present a common hazard pattern. All three starting materials have been determined to be carcinogenic and dyes derived from these materials may be converted back to cancer-causing materials in the body. Consumer exposure to all three dye groups is extensive. It includes the familiar package dyes sold in supermarkets and specialized dyes used by artisans in various arts and crafts. CPSC is completing its hazard evaluation and an exposure assessment for these home dyes and is developing a rule to control consumer exposure to all three groups of dye products marketed for direct sale to consumers. In FY 1981, the agency plans to begin investigating the use of these dyes in commercially dyed textiles.

o Formaldehyde. This chemical is widely used in consumer products such as particle board, wash and wear fabrics, and foam insulation, and induces well-known acute health effects after exposure to relatively low concentrations. Of potentially far-reaching concern are the preliminary findings of an industry study which found cancers in animals exposed to formaldehyde gas. A panel of federal scientists was formed by CPSC to assess the human health implications of these findings. The panel concluded that formaldehyde should be presumed to present a cancer risk to humans. The CPSC has initiated biologic and economic studies on the use of textile finishes containing formaldehyde and will examine standards for this product category in FY 1981. In FY 1981, CPSC staff is investigating the exposure and risk from other selected product categories containing formaldehyde, including the exposure of students in school laboratories.

o Chemical Screening. A systematic chemical screening process to identify and evaluate chronically toxic chemicals in consumer products was initiated in FY 1979 to enable the Commission to set priorities for action among the thousands of chemicals currently in use. Preliminary investigation found many of these chemicals have no current use in consumer products. The Commission published a Federal Register notice listing some of these chemicals, both to notify the public and manufacturers of the initial findings and to determine whether there are additional uses of these chemicals which may have been overlooked. Twenty other chemicals have been identified as needing either specific control actions or further evaluation, while the rest remain under study. We anticipate this effort will continue through FY 1981.

o Plasticizers. Plasticizers are compounds which may be added in substantial amounts to plastics to increase the flexibility and toughness of the final product. Tests have shown that the major plasticizer in current use may be carcinogenic. In FY 1981, we will assess the toxicity and determine the extent of use of this plasticizer in consumer products and measure levels of consumer exposure.

o Indoor Air Quality. Various harmful pollutants - including radon, formaldehyde, carbon monoxide, and nitrogen dioxide - have been found in air in homes. This problem may be made worse by current efforts to conserve energy by insulating or sealing air leaks. Chemical and biological contaminants may also be released into indoor environments from building materials, home furnishings and indoor combustion processes, such as cooking and heating. In FY 1981, we will test several

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fuel-fired appliances to determine emission levels of several hazardous pollutants. The health effects of these combustion products will be evaluated. This work will be coordinated with the recently established IRLG workgroup on indoor air quality.

o Lead. In FY 1980, the Commission staff worked with industry representatives to develop a voluntary standard to limit the use of lead-containing inks in the printing of gift wrap paper.

o Benzene. There is much evidence linking exposure to benzene to an increased incidence of leukemia. Based on information that benzene was present in consumer products, CPSC proposed banning the intentional addition of benzene to consumer products and limiting its presence as a contaminant to 0.1%. However, a field survey conducted by CPSC staff in FY 1980 indicates that benzene is no longer intentionally added to consumer products and that contaminant levels in products known to previously contain benzene are now at or close to the proposed 0.1% level. In FY 1980, we also completed a reproductive effects assessment which concluded that benzene does not appear to cause birth defects. In FY 1981, the Commission proposed withdrawal of the proposed regulation because of industry's success in voluntarily reducing benzene levels in consumer products.

o n-Hexane. This petroleum distillate, widely used as a solvent in consumer products such as paints and adhesives, can injure the human nervous system. CPSC has completed its hazard evaluation and exposure assessment for n-hexane. Based upon the results of these studies, and on the evaluation of the existing product labeling, we will decide whether special labeling of selected consumer products is needed.

o Toxic Heavy Metals. In FY 1981, the Commission will initiate a project to investigate the use of toxic heavy metals in consumer products and the potential for exposure of consumers to these metals from products. Preliminary findings from both a CPSC field survey, conducted in FY 1980 and a review of the literature on these compounds indicate that a number of heavy metals known to induce chronic health effects are used in paints, party and holiday decorations, some food packaging, and some printing inks. Our FY 1981 activities will focus largely on exposure to lead, cadmium, and chromium compounds.

o School Lab Chemicals. Students enrolled in school laboratory courses may be exposed to chronically toxic chemicals for which the hazards and safe uses are not known, even to the instructor. In FY 1981, CPSC will assess the hazards associated with school laboratory chemicals.

o Sensitive Populations. CPSC recognizes that certain sensitive populations may be adversely affected by toxic substances at lower levels than the general population. In FY 1980, the Commission began a project to evaluate the scientific literature in order to identify specific population subgroups that may be particularly vulnerable to chemical or physical agents which may be used in consumer products. This effort is being continued in FY 1981.

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Proposed Activities for FY 1982

The requested funding for the Chronic Chemical Hazards Program, 47 FTE's and $2,428,000, will permit the Commission to work on the following:

o Asbestos. The Commission staff expects to complete its work on a regulation for labeling or other controls of selected asbestos-containing products.

o Benzidine-Type and Other Hazardous Dyes. We will continue to assess the toxicity, availability and usefulness of substitutes for benzidine-type dyes. The Commission expects to develop a complete exposure assessment on both textile and non-textile uses and to consider appropriate action. Based on the FY 1981 results of our screening of non-benzidine-type dyes, the Commission will evaluate toxicity and public exposure for selected individual dyes and will consider the need for remedial action as appropriate. Specifically, we will assess the hazards associated with a major class of dyes selected for study on the basis of broadest public exposure or greatest potential toxicity.

o Indoor Air Quality. The Commission will continue to identify and quantify the exposures from those chemicals in household products which contribute significantly to this problem. For example, the Commission will continue its study of consumer exposure to formaldehyde. We will also begin to evaluate formaldehyde substitutes to determine their safety, and expect to consider standards for non-structural products which contain this chemical. In addition, certain of the major solvents used in aerosols will be evaluated and the potential hazard associated with this unique exposure will be assessed.

o Plasticizers. The Commission will assess both the risk of cancer to consumers from exposure to selected plasticizers and, if necessary, determine appropriate methods to address the hazard.

o Toxic Heavy Metals. The Commission expects to finish its investigation of the use of these metals in printing inks and develop control options for any significant exposure risks identified. In addition, the Commission will extend its investigations for non-ink uses of these metals.

o Chemical Screening. It is anticipated that approximately 100 additional chemicals will be entered into this process.

o National Toxicological Program. The Commission expects to continue its very active participation in this program which evaluates the chronic toxicity of chemicals based on the needs of various federal agencies.

Impact of Change from January, 1981 to March, 1981 Budget Request

The reduction in this program amounts to 21 FTE's and $1,847,000.

The reduced budget will cause CPSC to discontinue or curtail work on several projects that deal with identified health hazards. These projects include the following:

o Perchloroethylene (PERC) was found to cause cancer in animal tests conducted by the National Cancer Institute. CPSC and EPA have recently documented levels of exposure within coin operated dry cleaning establishments. These exposures are estimated to lead to 65 cancers each year if the current exposures continue. Due to resource limitations, CPSC will stop work on this project.

o The hazardous dyes project has been reduced by over 50%. We have identified 14 dyes which are carcinogenic. An additional 265 dyes are very closely related to these dyes and may well pose this same hazard. Consumers are exposed to these dyes used in clothing or directly handled by artists and craftsmen. CPSC will not be able to investigate the majority of these dyes which may present a substantial cancer hazard to the public.

o In the asbestos project, CPSC will reduce drastically or eliminate its laboratory work to identify consumer products which release asbestos fibers. In addition, we will be unable to investigate the overall levels of asbestos fibers present in homes from the use of consumer products.

o The Commission will also reduce its chemical screening capabilities. Over 200 chemicals are awaiting review for possible toxic effects.

o The reduction in the indoor air pollution project will eliminate our ability to measure indoor air pollutants in homes, to study the pollutants emitted from various fuel-fired appliances, and significantly reduce our ability to evaluate the potential new hazards caused by the build-up of toxic air pollutants in highly insulated homes with reduced flow of fresh air.

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II. PRODUCT SAFETY AND ENFORCEMENT
B. Hazard Program
6. Children's and Recreational Products Program
(Funds in Thousands of Dollars)

FY 1980 (Actual)		FY 1981 (Estimate)		FY 1982 Request January, 1981 (Estimate)		FY 1982 Request March, 1981 (Estimate)		Difference FY 1982 Requests January to March	
FTE	Funds	FTE	Funds	FTE	Funds	FTE	Funds	FTE	Funds
12	$490	14	$805	16	$648	12	$510	-4	-$138

Program Description

The Commission believes that it has a special responsibility to protect children from product-related hazards. Children are particularly vulnerable to injury because they may not recognize hazards or respond to them appropriately.

Among the Children's and Recreational Products Program's major concerns are toys and other articles designed specifically for use by children. Often consumers assume that a product intended for children must be "safe," but nearly 185,000 children were treated in hospital emergency rooms last year after accidents involving toys and nursery products. Recreational products such as bicycles and playground equipment were involved in 750,000 additional injuries.

Over the last few years, the Commission has issued regulations for toys and children's products that address hazards common to many product types such as sharp edges, sharp points, and small parts. These regulations and others addressed to specific products like bicycles and pacifiers provide a minimum level of safety for many products and must be strictly enforced.

There are about 150,000 toys now on the market and some of them still have a potential for causing injury. New products are constantly introduced and fads have a significant impact on injury rates. The Commission plans to continue its work on identified hazards and to remain alert for new ones.

FY 1980 and FY 1981 Activities

o Public Playground Equipment. In FY 1980, the Commission completed work on a two-volume handbook providing suggestions for planners and purchasers of public playground equipment and technical information for both manufacturers and installers. We plan to distribute the handbooks in FY 1981.

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o Bicycles. In FY 1981, the Commission published a rule to permit the use of retroreflective rims on bicycles equipped with non-caliper brakes. Such rims provide the same protection as reflectory spokes and walls and offer manufacturers and consumers a third option. We expect to begin study of a new brake stopping test for bicycles in FY 1981.

o Cribs. In FY 1981 the Commission proposed to amend its crib regulations to address the risk of head entrapment in certain crib designs. The stimulus for this work was a particular model of cribs which was associated with 8 strangulation deaths.

o Amusement Rides. We estimate that in FY 1979 there were about 6,700 injuries attributable to amusement rides. Since many of these rides travel from state to state with carnivals, the Commission initiated a pilot program to help state and local authorities exchange information related to amusement ride safety.

o Toy Chests. The Commission staff is aware that, since 1973, there have been at least 17 strangulation deaths of children under two years of age associated with toy chests. In FY 1981 the Commission will consider a rule banning toy chests with lids capable of falling on a child's head or neck with hazardous force.

o Strings and Elastics. In FY 1981, the Commission plans to consider alternatives to address strangulation risks associated with strings and elastics in products intended for infants. The Commission is aware of over 200 deaths since 1973 which have occurred from children's products such as clothing, toys and infant products. Many of those involved string and elastic associated hazards.

o Projectile Toys. The Commission, based on research conducted at the National Bureau of Standards, will consider the hazards presented by projectile toys and will take appropriate action.

o Swimming Pool Slide Revocation. In FY 1981, the Commission will consider a proposal to revoke this standard.

Proposed Activities for FY 1982

The requested funding for the Children's and Recreational Products Program, 12 FTE's and $510,000, will permit the Commission to work on:

o Swimming Pool Slide Rule Revocation. If the swimming pool slide rule revocation is proposed, the Commission will consider a final rule to revoke this standard.

o Amusement Rides. The Commission expects to continue its pilot information exchange project through FY 1982. The Commission staff will also continue to monitor amusement ride industry voluntary standards efforts.

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o Nursery Furniture. Based on research of injury patterns and analysis of existing voluntary and mandatory standards, the Commission will consider whether regulatory actions on baby walkers, jumpers, strollers, mesh cribs and playpens, and high chairs are necessary.

o Strings and Elastics. The Commission will continue work to address strangulation risks associated with strings and elastics in infant products.

o Juvenile Sports Equipment. CPSC will consider updates to address risks of injury associated with sports equipment intended for use by young children.

Impact of Change from January, 1981 to March, 1981 Budget Request

The decrease in this program amounts to 4 FTE's and $138,000.

At this resource level, the Commission will have to eliminate its work on preschool playground equipment. As a result, the approximately 23,000 playground injuries that involve children under 5 years of age each year cannot be addressed. In addition, it is likely that this program will have to be merged with another program thereby reducing its visibility and perhaps its effectiveness.

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II. PRODUCT SAFETY AND ENFORCEMENT
B. Hazard Program
7. Mechanical Hazards: Power Equipment
(Funds in Thousands of Dollars)

FY 1980 (Actual)		FY 1981 (Estimate)		FY 1982 Request January, 1981 (Estimate)		FY 1982 Request March, 1981 (Estimate)		Difference FY 1982 Requests January to March	
FTE	Funds	FTE	Funds	FTE	Funds	FTE	Funds	FTE	Funds
14	$685	13	$707	25	$1,445	17	$992	-8	-$453

Program Description

The Commission's Power Equipment Program works to reduce injuries associated with power tools and yard and garden equipment. These injuries are often severe lacerations or amputations. People in their active wage-earning years are the most frequent victims.

Of the 220,000 power tool injuries treated in hospital emergency rooms last year, more than half involved two products: power mowers and chain saws. For the last few years Commission activities in the power equipment area have focused on these products.

FY 1980 and FY 1981 Activities

o Chain Saws. The Commission completed evaluation of the voluntary standard in FY 1980 and found the proposed standard inadequate. The Commission, therefore, decided to begin development of a mandatory standard and to consider Section 15 actions as appropriate.

o Power Mower Blade Contact. In FY 1980, the Commission completed the certification rule to accompany its safety standard for power mowers. In FY 1981, the Commission expects to develop a plan for enforcing the blade contact standard recently upheld in court. The effective date of the standard was recently changed by Congress from December 31, 1981 to June 30, 1982.

o Power Mower Thrown Objects. Bystanders as well as users of power mowers can be struck by objects such as nails which are thrown from the discharge chutes of the mowers. In FY 1980, the Commission conducted studies of this hazard and is now analyzing data to determine whether a standard is warranted.

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Proposed Activities for FY 1982

The requested funding for the Power Equipment Program, 17 FTE's and $992,000, will permit the Commission to work on the following:

- o Chain Saws. The Commission will continue development of a mandatory standard to reduce chain saw injuries.
- o Voluntary Standards Support. The staff will continue to monitor voluntary standards.
- o Power Tools. CPSC will analyze injury and product data and formulate corrective actions as necessary.
- o Power Mowers. CPSC will begin to enforce the power mower standard and will evaluate its effectiveness in reducing injuries.

Impact of Change from January, 1981 to March, 1981 Budget Request

The reduction in the program amounts to 8 FTE's and $453,000.

The agency will have to completely stop its work on several hazardous products: (1) riding mowers, which were associated with 23,000 injuries treated in emergency rooms in 1979, (2) log splitters which caused 1,200 injuries during the first two months of 1981, and (3) snowblowers, which caused 3,500 injuries in 1979. The Commission's ability to analyze over 100,000 power tool injuries will also be severely reduced. Additionally, it is likely that this program will be merged with another hazard program in 1982.

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II. PRODUCT SAFETY AND ENFORCEMENT
B. Hazard Program
8. Household Structural Products
(Funds in Thousands of Dollars)

FY 1980 (Actual)		FY 1981 (Estimate)		FY 1982 Request January, 1981 (Estimate)		FY 1982 Request March, 1981 (Estimate)		Difference FY 1982 Requests January to March	
FTE	Funds	FTE	Funds	FTE	Funds	FTE	Funds	FTE	Funds
22	$988	13	$804	17	$885	12	$533	-5	-$352

Program Description

The Household Structural Products Program works to reduce injuries from products that are fixed in place in the home. These products (for example, architectural glazing, bathtubs, and showers) are often selected and installed by the home builder. Frequently it is neither economical nor feasible for the consumer to replace them. Poor product design may, therefore, result in lifelong exposure to a hazard. We estimate that products in this area are involved in 8.2 million injuries annually.

Energy conservation efforts can have unexpected adverse impacts on home safety. For example, we are concerned that the reduced fresh air flow common to tightly sealed homes may permit build-up of undesirable gases, particularly formaldehyde which is present in many household structural products. Our present concern is focused on the release of formaldehyde gas from urea-formaldehyde foam insulation and from particle board, plywood and paneling at levels high enough to cause acute health effects. This work is closely coordinated with the efforts of our Chronic Chemical Hazards Program which is investigating the long-term effects of exposure to formaldehyde.

FY 1980 and FY 1981 Activities

o Cellulose Insulation. As required by the Congress, the Commission conducted a major enforcement effort for its amended standard for flammability and corrosiveness which became effective in October, 1979. The Commission also enforced a labeling rule dealing with proper installation of this product and considered possible amendments to this standard.

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o Tap Water Scalds. Our death certificate files indicate that scalds from excessively hot tap water have caused 160 deaths since 1973. An estimated 5,400 burns and serious scald injuries are treated in hospital emergency rooms each year. The Commission's work with voluntary standards groups has resulted in cautionary labeling and lower factory preset and maximum temperatures for new water heaters. In the fourth quarter of FY 1980, the Commission decided to ask industry to strengthen its voluntary efforts in this field.

o Urea Formaldehyde Foam Insulation. In response to over 1,600 complaints and information obtained during four public hearings, the Commission proposed a rule requiring manufacturers to disclose certain safety and performance information to consumers prior to purchase of the product. On February 5, 1981, the Commission proposed a ban on urea-formaldehyde foam insulation installed in residences instead of finalizing the disclosure notice.

o Particle Board/Plywood/Paneling. In FY 1981, the Commission will review existing standards and test methods to determine their adequacy and to assess the consumer hazard posed by levels of formaldehyde released by these products. The Commission will continue to work with industry voluntary standards organizations to develop standards for these products.

o Architectural Glazing. The Commission decided to revoke several portions of the architectural glazing standard including sections on glazed panels and environmental durability testing of plastics.

o Ladders. The voluntary standards for ladders were finalized in FY 1980. The Commission will monitor and evaluate these standards throughout FY 1981 and has already recommended that some changes be incorporated when the standards are revised. The Commission estimates that the voluntary standards will ultimately prevent 39 deaths and 45,570 injuries per year.

Proposed Activities for FY 1982

The requested funding for the Household Structural Products Program, 12 FTE's and $533,000, will allow the Commission to work on:

o Urea-Formaldehyde Foam Insulation. Depending on Commission decisions in FY 1981, a ban may be finalized in FY 1982.

o Particle Board/Plywood/Paneling. The Commission will consider whether new or stronger voluntary standards are adequate to deal with the release of formaldehyde gas from these products.

o Architectural Safety. Our data indicate that approximately 1/3 of all injuries reported involve products in the household structural products area. The Commission will work with architects and builders to encourage greater attention to safety features in home design and construction.

Impact of Changes from January, 1981 to March, 1981 Budget Request

The reduction in this program amounts to 5 FTE's and $352,000.

The urea-formaldehyde foam project has been cut by over 50% which will decrease the agency's ability to respond to industry requests for interpretation of the ban and to consider petitions for exemptions from the ban.

II. PRODUCT SAFETY AND ENFORCEMENT
C. Ongoing Headquarter Activities
1. Hazard Identification and Analysis
(Funds in Thousands of Dollars)

FY 1980 (Actual)		FY 1981 (Estimate)		FY 1982 Request January, 1981 (Estimate)		FY 1982 Request March, 1981 (Estimate)		Difference FY 1982 Requests January to March	
FTE	Funds	FTE	Funds	FTE	Funds	FTE	Funds	FTE	Funds
53	$3,181	36	$3,057	38	$2,400	36	$2,385	-2	-$15

Program Description

Hazard Identification and Analysis (HIA) supports the Commission's Hazard program activities with its technical services. Within HIA, the offices of Economics, Epidemiology, Human Factors, and the National Injury Information Clearinghouse:

- o collect and analyze injury data to identify and quantify hazards and hazard patterns;
- o evaluate the economic impact of the Commission's safety standards and remedial regulations;
- o prepare environmental assessment and impact studies required to direct the development of future standards and regulations.

A majority of the Commission's consumer-related hazard information is assembled by HIA. Programs for collecting information include:

- o The National Electronic Injury Surveillance System (NEISS) -- consumer injury data from hospital emergency room reports and follow-up investigations of selected cases.
- o The National Death Certificate Project -- certificates of product-related deaths that are sent to CPSC from the 50 states, District of Columbia, Puerto Rico and the Virgin Islands.
- o The Medical Examiners and Coroners Alert Program (MECAP) -- reports from medical examiners and coroners who voluntarily call CPSC via the toll-free Hotline.

o Other Information Sources -- The Commission staff also analyzes data from other government agencies, private organizations, and industry.

FY 1980 and FY 1981 Activities

o Interagency Agreements for Data Sharing. The Commission added interagency agreements for data sharing with the National Institute for Occupational Safety and Health (NIOSH) and the United States Fire Administration (USFA) in addition to its continuing agreements with the Environmental Protection Agency, Department of Transportation, and Food and Drug Administration. The USFA shares the data and costs of the National Death Certificate Project and the other agencies share the data and costs of the National Electronic Injury Surveillance System.

o Injury Cost Model. In FY 1980, HIA updated the information on the injury cost model used to estimate the societal cost of product-related injuries and made it accessible through the CPSC computer system to facilitate usage throughout the Commission. The injury cost model estimates the cost of an injury by taking into account characteristics of the victim and the nature of the victim's injury.

o Medical Examiners and Coroners Alert Program (MECAP) Expansion. MECAP is being expanded from 300 volunteer participants to a larger group of medical examiners and coroners in the country. Information reported to CPSC through MECAP has led to the recall of over 300,000 toys and proceedings against a major crib manufacturer only fifteen working days after receiving reports.

o Injury Data Analysis. The Commission prepared hazard and human factors analytical reports on such products as urea formaldehyde foam insulation, baby strollers and carriages, chain saws, coal and wood burning stoves, and upholstered furniture. The Commission has also begun a systematic review of its in-depth investigations to identify long-term hazards not otherwise being addressed.

o Injury Data Sources. A Commission Hazard Data Task Force is analyzing usefulness of a variety of different data sources and data collection methods to ensure that we make the best use of Commission resources for hazard identification. New sources of information are under consideration. We are also examining ways of making better use of existing information, such as consumer complaints and data collected by other government agencies. The task force report will be completed and acted upon during 1981.

o Special Studies. To satisfy special data needs of hazard program areas, a number of special studies were conducted. Some of the more notable involved the following products: ladders, lawn mowers, chain saws, fireworks, roller skates, high chairs, and pre-school playground equipment.

o Data Dissemination. In compliance with Section 6(c) of the Consumer Product Safety Act, the Commission provides copies of product-related incidents to manufacturers.

o Notice of Release. In compliance with Section 6(b) of the Consumer Product Safety Act, CPSC notifies manufacturers 30 days prior to release of injury data involving their product to the public.

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Proposed Activities for FY 1982

The Commission requests 36 FTE's and $2,385,000 for Hazard Analysis and Identification to perform the following activities:

- o Injury Data. CPSC will continue to collect and analyze data on injuries and deaths associated with consumer products.

- o Data Sources. We will search for new data sources and data collection methods as recommended by the Hazard Data Task Force.

- o Technical Support. Economic and statistical support will be provided for Commission activities.

Impact of Change from January, 1981 to March, 1981 Budget Request

The reduction in the program amounts to 2 FTE's and $15,000.

The agency's ability to initiate broad national diagnoses of the product-injury problem will be hampered due to the cumulative effect of this most recent cut added to earlier reductions already made by CPSC in this program.

Since it will be necessary to reduce selectively the cases reported by NEISS, an undetermined number of hazards which result in injuries serious enough to receive hospital emergency room treatment will remain undetected by the Commission. Several hospitals will probably cease participation in the NEISS. This will impair the accuracy of the system, reduce our confidence in its results, and restrict our ability to meet the requirements of three other agencies who shoulder a substantial part of the costs of the system.

The agency will also cut back its other efforts to collect data, further reducing the ability to identify potential product hazards. In addition, fewer on-site in-depth investigations will reduce CPSC's efforts to study the causes of injuries. And finally, the injury-cost model which permits estimation of the economic benefits of CPSC activities will be rendered less precise. Thus, CPSC will be less able to estimate the costs and benefits of regulatory options.

In sum, these cuts will reduce the agencies ability to identify new hazards and prevent future injuries.

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II. PRODUCT SAFETY AND ENFORCEMENT
C. Ongoing Headquarters Activities
2. Engineering and Sciences Program
(Funds in Thousands of Dollars)

	FY 1980 (Actual)		FY 1981 (Estimate)		FY 1982 Request January, 1981 (Estimate)		FY 1982 Request March, 1981 (Estimate)		Difference FY 1982 Requests January to March	
	FTE	Funds	FTE	Funds	FTE	Funds	FTE	Funds	FTE	Funds
	26	$1,607	30	$2,291	29	$2,049	23	$1,601	-6	-$448
ES	(9)	($659)	14	$690	(13)	($653)	(12)	($711)	(-1)	(+$58)
HS	(17)	($948)	16	$1,601	(16)	($1,396)	(11)	($890)	(-5)	(-$506)

Program Description

This activity consists of two functions: Engineering and Health Sciences. The Commission has recently separated these two functions into individual directorates. Through this management change, we hope to provide more direct technical support to the hazard programs.

The Engineering Sciences resources in this program provide management and quality control of the engineering resources that support and are included in the portions of this document describing the hazard programs, compliance activities, and other headquarters activities. They also provide operation of the Commission's engineering laboratory.

The Health Sciences function provides biological, toxicological, and chemical support to the Commission's hazard programs. It operates the headquarters health sciences laboratory and provides guidance for field laboratories. This work primarily supports the chemical hazards programs and compliance activities.

Since its inception, the Commission has recognized that cooperating with other federal agencies can minimize duplication of effort and reduce costs. As a result, we have joined with the Environmental Protection Agency, the Occupational Safety and Health Administration, the Food and Drug Administration, and the Food Safety and Quality Service of the USDA to form the Interagency Regulatory Liaison Group (IRLG). Our engineers and health scientists work closely with this group and with the Departments of Energy, Housing and Urban Development, and Health and Human Services in developing chemical control strategies. We also maintain substantial contact with the National Institute for Occupational Safety and Health and the U. S. Fire Administration.

FY 1980 and FY 1981 Activities

Engineering

o Lab Renovations. We renovated and equipped new laboratories at our Maryland engineering facility. This work significantly expands our ability to perform in-house engineering tests such as burning of upholstered furniture and operating gasoline-fueled chain saws.

o Interagency Cooperation. The Commission negotiated an agreement with the National Bureau of Standards to include consumer product safety in its long-range research program.

Health Sciences

o Lab Facilities. The Commission is also negotiating with the Food and Drug Administration to continue sharing our headquarters health sciences laboratory. This cooperation has resulted in a considerable savings for the two agencies.

o IRLG. The Commission has continued its work with the Interagency Regulatory Liaison Group (IRLG), particularly in the areas of coordinating regulatory development for chemicals of mutual interest and developing a joint approach to risk assessment for carcinogens. We expect that a guide for assessing the risks of birth defects resulting from chemicals will be developed in FY 1981.

o Toxicity Data. Our scientists have collected and evaluated toxicity data on six chemicals (carbon monoxide, lead, cadmium, chromium, benzene, and benzidine-based dyes) which are under consideration for regulation.

o Exposure Assessment. We have developed a mathematical exposure assessment model for testing airborne benzene. If it can be generally applied to other airborne substances, this model may save substantial costs now incurred by conventional laboratory testing.

Proposed Activities for FY 1982

The Commission requests 23 FTE's and $1,601,000 for Engineering Sciences and Health Sciences support to continue its activities, including:

o Circuit Breaker Analysis. We will analyze the performance of a specific circuit breaker to support possible litigation. The failure of these circuit breakers to function properly may cause potential fire hazards.

o Engineering Support. The Engineering Sciences Directorate will continue to provide central management of all Commission work in engineering and the physical sciences.

o Laboratory Support. CPSC will conduct engineering investigations on a variety of consumer product hazards.

o IRLG. CPSC will maintain at a reduced level its working relationships with the federal agencies involved in IRLG to provide a coordinated approach to regulation.

o Toxicity Data and Support. The agency will maintain a reduced level of work to assess suspected hazardous chemicals.

o Short-term Testing. CPSC will screen products for potential carcinogenic and mutagenic activity.

Impact of Change from January, 1981 to March, 1981 Budget Request

The reduction of this program amounts to 6 FTE's and $448,000.

At this level, IRLG activities will be reduced but minimum cooperative efforts to reduce duplication with other agencies will continue. The exposure assessment project, which was designed to study the exposure of consumers to propellants and solvents in consumer products, will be completely eliminated. The toxicity data project will be reduced by approximately 50%, thus limiting our ability to evaluate potentially hazardous chemicals.

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II. PRODUCT SAFETY AND ENFORCEMENT
C. Ongoing Headquarters Activities
3. Information & Education
(Funds in Thousands of Dollars)

FY 1980 (Actual)		FY 1981 (Estimate)		FY 1982 Request January, 1981 (Estimate)		FY 1982 Request March, 1981 (Estimate)		Difference FY 1982 Requests January to March	
FTE	Funds	FTE	Funds	FTE	Funds	FTE	Funds	FTE	Funds
54	$3,406	42	$2,677	42	$2,750	40	$2,400	-2	-$350

Program Description

The goal of the Information and Education Program is to reduce product-related accidents by helping consumers to select and use products safely. This is done by:

- o distributing print and audio-visual materials;
- o operating a toll-free Hotline and Correspondence Center to help consumers choose safer products and report dangerous ones;
- o reaching targeted audiences with specific information they can use readily.

FY 1980 and FY 1981 Activities

o Toll-Free Hotline and Correspondence Center Upgraded. Almost 300,000 consumers contacted us by letter or through the toll-free Hotline in FY 1980. The Commission has reduced the average turn-around time for responding to correspondence from consumers by about 25% (from 4 weeks to 3 weeks) while distributing over 5,000,000 documents - major items include 250,000 publications on asbestos, 90,000 on aluminum wiring and 80,000 on formaldehyde. In addition, CPSC has substantially upgraded the quality of the Hotline staff and the usefulness of information provided to consumers.

o Consumer Information. The Commission plans to concentrate its educational efforts in the following four areas:

- Poison Prevention Packaging. Many ingestions of toxic substances could be prevented by proper use of child-resistant closures. The Commission plans significant

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enforcement activity in this area in FY 1981 which will be supported by a program to inform consumers and pharmacists of the need for safety packaging and its proper use.

- Fire Injury Prevention. Smoke detectors, properly installed and maintained, can prevent many fire deaths and injuries. In addition to its plans to monitor the adequacy of smoke detectors, the Commission will encourage smoke detector use by consumers.

- Save Energy Safely. Because energy conservation continues to be a pressing national concern, the Commission plans to initiate a program in FY 1981 to inform homeowners and the home building industry of the hazards associated with fireplaces, coal and wood burning stoves, water heaters, space heaters, gasoline cans and other energy-related devices. The Commission will educate consumers on the proper selection, installation, use and maintenance of these products.

- Expectant Parents Education Program. The Commission already has developed materials covering many aspects of infant safety. We have begun a program to reach expectant parents with information they can use to protect their children.

o Public Service Announcements. The Commission believes that television and radio public service announcements are cost-effective ways to transmit safety information to large numbers of individuals. Our public service announcements dealing with chain saws, saving energy safely, electrical hazards, and household safety have competed successfully for free public service air time, and have generated substantial consumer interest.

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Proposed Activities for FY 1982

The Commission requests 40 FTE's and $2,400,000 for the Information and Education Program to continue its current activities, including:

o Focused I&E Activities. The Commission will continue its information and education programs involving poison prevention packaging, fire injury prevention, saving energy safely, and expectant parents education.

o Distribution and Printing. CPSC will continue to distribute information materials to consumers concerning a variety of consumer products.

o Hotline. The hotline staff will continue to provide its useful service to the American public.

Impact of Change from January, 1981 to March, 1981 Budget Request

The reduction in this program amounts to 2 FTE's and $350,000.

The reduced budget request will eliminate all public service announcements. In addition, information and education efforts in essentially all areas will be reduced, and a planned national consumer education program cannot be supported by contract funds. CPSC will also be able to answer fewer letters and it will take significantly longer to respond creating an evergrowing backlog of correspondence. We estimate that our response time will increase from 3 weeks to 5 weeks. Finally, distribution and printing of information and education materials will be reduced. Distribution of CPSC publications will drop from 5,000,000 to 4,000,000.

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II. PRODUCT SAFETY AND ENFORCEMENT
C. Ongoing Headquarters Activities
4. Compliance and Enforcement
(Funds in Thousands of Dollars)

FY 1980 (Actual)		FY 1981 (Estimate)		FY 1982 Request January, 1981 (Estimate)		FY 1982 Request March, 1981 (Estimate)		Difference FY 1982 Requests January to March	
FTE	Funds	FTE	Funds	FTE	Funds	FTE	Funds	FTE	Funds
87	$4,147	62	$2,929	70	$3,150	55	$2,612	-15	-$538

Program Description

The Commission's Compliance and Enforcement activity helps create a safer marketplace by ensuring that firms comply with the laws, regulations, and standards that protect consumers from hazardous products. This activity has three major components:

o Surveillance. The Commission ensures the best possible coverage at the lowest possible cost by: (1) planning enforcement strategies as part of the regulatory development process, (2) conducting intensive compliance activities when a new regulation goes into effect and shifting to a maintenance level once acceptable compliance is achieved, (3) delegating case handling authority to the regional offices, and (4) cooperating with state and local authorities.

o Product Defect Correction Activities. Sections 12 and 15 of the Consumer Product Safety Act provide the authority for removing hazardous products from the marketplace swiftly even when no safety standards have been issued. The Commission places particular emphasis on Section 15 which requires manufacturers, distributors, and retailers to report potentially hazardous products to the Commission. Usually, hazardous products are removed from the market voluntarily -- actions that are selective, relatively swift and inexpensive, and minimally disruptive. Since 1973, we have taken action on about 176 million products under Section 15.

o Enforcement Actions and Litigation. The Commission uses informal means such as letters of advice, notices of non-compliance, and meetings to give firms a reasonable opportunity to comply with regulations. But these informal and relatively inexpensive methods work best in combination with a prompt and effective enforcement program. The Commission's program concentrates on relatively quick remedies such as product seizures, injunctions, and civil penalty actions rather than relying on criminal prosecutions.

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FY 1980 and FY 1981 Activities

o Monitoring Existing Regulations. In FY 1980, we conducted intensive efforts to monitor and enforce compliance with our refuse bin and cellulose insulation regulations. This activity resulted in 20 injunctions and 30 civil penalty actions and will continue through FY 1981. Our monitoring of a new regulation requiring child-resistant closures on acetaminophen preparations revealed that industry has achieved a high level of compliance. The regulation, issued under the authority of the Poison Prevention Packaging Act, was designed to reduce an estimated 1,530 childhood ingestions of this aspirin substitute which can cause death.

o Hair Dryer Recall. We concluded our product recall of hand-held hair dryers containing asbestos which had been conducted under the authority of Section 15 of the Consumer Product Safety Act. Related efforts in FY 1980 included verifying that new designs for these dryers did not include asbestos and investigating professional hair dryers which may contain asbestos. We estimate that over 2 million units in consumers hands were returned as a result of manufacturers' or importers' recall efforts.

o General Recalls and Corrective Actions. Industry reports and complaints submitted from consumers to the Commission in FY 1980 prompted Section 15 investigations that subsequently led to the opening of over 132 new defect files covering over 23 million products. Thus far, 3.6 million of these products, ranging from cribs to spear guns to snowmobiles to garden sprayers, have been recalled or corrected. In addition, our research shows that an even larger number of such products were disposed of by consumers following Commission recalls.

o Improving Recall Effectiveness. The Commission has become increasingly concerned that when products are recalled, rates of return from consumers are substantially lower than rates of return within the distribution chain. The Commission established a Recall Effectiveness Task Force which examined methods and made recommendations to improve our efficacy in handling recall efforts. The Commission is exploring ways of informing consumers about recalls and motivating them to participate. The recommendations of the task force report are being implemented by the Commission in 1981.

o Performance Standards and Labeling. Our investigations of products which fail to comply with performance standards or labeling requirements resulted in over 400 recall actions in FY 1980. These recalls involved a variety of products including refuse bins, architectural glazing, paint with excessive lead content, toys coated with lead paint, bicycles, cellulose insulation, carpeting and garments.

o PPPA Enforcement. In FY 1981, we expanded and redirected a program to ensure that pharmacists comply with the provisions of the Poison Prevention Packaging Act. Regulations under this act provide that nearly all prescription drugs be dispensed in child-resistant closures unless the patient or physician requests conventional packaging. Failure to comply creates a risk of poisoning in households with young children.

o Export Notification. The Commission issued a rule which would assist foreign governments in protecting their citizens from products considered unsafe for sale in the United States. Exporters of products that do not comply with the Commission regulations are required to notify the Commission before exporting the non-complying goods. The Commission then notifies the foreign government, allowing it to decide whether to import these products.

Proposed Activities for FY 1982

The requested funding for Compliance and Enforcement, 55 FTE's and $2,612,000, will permit the Commission to work on:

o Voluntary Solutions. During FY 1982, the Commission will continue seeking voluntary solutions to product safety problems wherever possible, with the recognition that a tough and prompt enforcement posture is necessary. Guided by the recommendations of the Recall Effectiveness Task Force Report, the Commission will strive to improve the average efficacy of recall efforts.

o Section 15. The Commission will continue to encourage the highest possible corrective action rates in Section 15 activities.

o Export/Import Enforcement. Funds will be provided to allow a minimal amount of investigational and analytical time to enforce the export regulations. In addition, funds will also be provided to continue to cultivate contacts established in FY 1981 to provide efficient monitoring of imported products.

o PPPA Enforcement. CPSC will conduct the second year of our campaign to ensure pharmacists' compliance with the PPPA.

o Other Product Enforcement. The agency will enforce standards and regulations on a limited basis for products such as: lead-in-paint, power mower blade contact, toys and children's products, and coal and wood burning stoves.

Impact of Change from January, 1981 to March, 1981 Budget Request

The decrease in this program amounts to 15 FTE's and $538,000.

Field staff will be drastically reduced, leaving only a skeleton effort in some areas. With such field reductions our enforcement of existing standards, our investigations of new hazards, our market surveillance and our monitoring of product recalls will be reduced. The agency will continue to give priority to Section 15 activities and other compliance work which has maximum injury reduction potential. But the reduced resources will obviously affect our enforcement program overall. For example, CPSC will not conduct a planned program to determine if firms which had previously violated the law are in compliance several years after such violations. In addition, enforcement of acute hazard regulations will be reduced by over one-third.

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II. PRODUCT SAFETY AND ENFORCEMENT
D. Field Activities
(Funds in Thousands of Dollars)

FY 1980 (Actual)		FY 1981 (Estimate)		FY 1982 Request January, 1981 (Estimate)		FY 1982 Request March, 1981 (Estimate)		Difference FY 1982 Requests January to March	
FTE	Funds	FTE	Funds	FTE	Funds	FTE	Funds	FTE	Funds
326	$11,023	299	$11,047	284	$11,110	169	$6,297	-115	-$4,813

Program Description

The field staff is the front line of the Commission's compliance, enforcement, and investigational efforts. The field staff is currently composed of 10 regional offices, 3 district offices, 27 resident offices and 3 compliance testing laboratories, in addition to a small Headquarters coordinating staff. Approximately 26% of the Commission's current resources are expended on these field activities.

We have found state and local cooperative activities to be particularly valuable in increasing the impact of product safety activities. State and local agencies participate actively in the development and implementation of Commission programs to ensure that local as well as national needs are met. Our contacts with thousands of organizations also help us to extend product safety coverage far beyond our staff limitations.

Commission contracts provide minimal support to state and local agencies performing compliance and information and education activities. These agencies often have large, geographically dispersed staffs and can interact directly with more people at reduced costs. Both the Commission and the cooperating agencies benefit from the increased expertise gained through sharing technical knowledge.

The field staff works closely with state designees appointed by the governor of each state to communicate and coordinate product safety efforts. At least once a year state designees and other state and local officals meet with CPSC staff to develop joint product safety program plans. This joint planning permits greater industry coverage during compliance efforts and reduces the burden both on individual firms and government agencies by eliminating duplicative inspections. The State Designee Workshop, which was held in Seattle in 1980, brought together 48 states, the District of Columbia, Puerto Rico and the Virgin Islands for the purpose of joint program planning.

We also "commission" state and local officials, legally delegating to them the authority to enforce the Federal statutes we administer. To date, 151 state officials in 27 states have been commissioned.

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Last year state agencies performed 3,200 recall effectiveness checks on hairdryers, toys and other products at no cost to CPSC.

FY 1980 and FY 1981 Activities

o Compliance and Hazard Identification. During FY 1980, Area Offices responded to almost 60,000 complaints and inquiries from consumers and industry representatives. In addition, field staff performed 2,900 in-depth investigations, 4,100 inspections, 8,400 recall effectiveness checks, 2,800 sample collections and 1,900 sample analyses. A large portion of this work involved Section 15 activities.

o Information and Education Activities. In FY 1981, the field's information and education activities will include expectant parent education, poison prevention education, saving energy safely and fire injury prevention. A portion of the field's efforts are also directed towards meeting the needs of the region they serve. Two examples of regional information and education programs in FY 1981 are a program on antenna safety and a program to educate firms selling second hand products about potential hazards.

o Regional Hearings and Seminars. Approximately 600 people attended 4 regional public hearings conducted by field and headquarters staff in FY 1980 to hear testimony on urea-formaldehyde foam insulation and other formaldehyde products and their possible adverse effects on health. Field staff also conducted 40 seminars for regulated products.

o State/Local Cooperation. Under contractual agreements with the Commission in FY 1980, 26 state and local government agencies conducted compliance activities and 17 conducted information and education activities. We plan to commission an additional 4 states in FY 1981.

o Streamlined Field Management. A regional office reorganization in FY 1980 resulted in the administrative merger of the Seattle office with the San Francisco office, the Denver office with the Kansas City office, and the Minneapolis office with the Chicago office. Merging these offices allowed us to reduce the total field management by about 10%, thereby offsetting some of the impact of rising costs while still retaining complete investigative and educational and informational activities in areas served by the Seattle, Denver and Minneapolis District offices.

o Energy Workshop. CPSC, the Department of Energy, and state and local building code officials sponsored a series of workshops on home insulation to discuss the potential hazards of improper installation.

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Proposed Activities for FY 1982

The requested funding for Field activities, 169 FTE's and $6,297,000, will permit the Commission to perform work including:

o Section 15. The field will conduct approximately 2,000 investigations of injury and potential injury incidents and inspect 700 firms to assist the Commission in determining the existence of substantial product hazards. Approximately 175 recalls of products presenting substantial hazards will be monitored by the field.

o Standards Enforcement. The field offices will conduct approximately 1,150 inspections to enforce standards and regulations covering flammability hazards, hazardous chemicals, lead-in-paint, toys and other children's products, lawn mowers, and CB antennas. The field will monitor recalls of products which fail to meet the Commission's standards and regulations.

o PPPA Enforcement. CPSC will continue joint efforts with the states to assure that pharmacies are complying with Poison Prevention Packaging Act regulations and follow-up on suspected violators.

o Information and Education. The field will continue the Communications Directorate's information and education programs in the areas of fire injury prevention, saving energy safely, and poison prevention. Workshops designed to educate expectant parents regarding infant safety will continue.

o State and Local Cooperation. The field will continue to work with state designees and other state and local officials. State contracts will be used for PPPA enforcement, expectant parent workshops, and recall monitoring.

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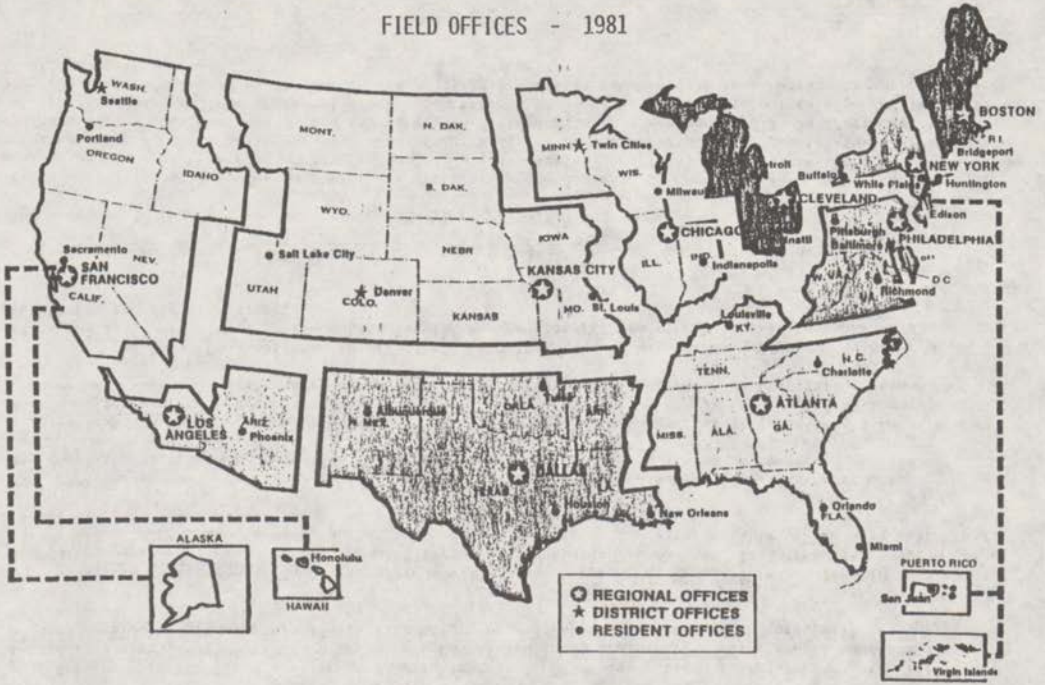
Impact of Change from January, 1981 to March, 1981 Budget Request

The decrease in this program amounts to 115 FTE's and $4,813,000.

Field activities will be the most severely affected by the decrease in CPSC's budget. CPSC plans to reorganize the field structure from thirteen to four or five regional offices, and to close the three field laboratories. The agency's ability to (1) conduct surveillance of the marketplace, (2) determine the causes of injuries, (3) educate the public, and (4) work with State and local governments will be adversely affected. CPSC will receive less cost-free support from states because of a reduced ability to maintain cooperative liaison. Although the Commission would prefer not to reduce field activities, such a step is necessary to support the President's budget request.

U.S. CONSUMER PRODUCT SAFETY COMMISSION

FIELD OFFICES - 1981



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III. ADMINISTRATION AND GENERAL SUPPORT
(Funds in Thousands of Dollars)

FY 1980 (Actual)		FY 1981 (Estimate)		FY 1982 Request January, 1981 (Estimate)		FY 1982 Request March, 1981 (Estimate)		Difference FY 1982 Requests January to March	
FTE	Funds	FTE	Funds	FTE	Funds	FTE	Funds	FTE	Funds
142	$5,670	132	$5,312	144	$5,369	101	$4,106	-43	-$1,263

Program Description

The administration and general support activity provides administrative services and program support through five general categories: financial management, personnel management, procurement and management services, training, and automated data processing.

The major objectives of this activity are to:

- o provide for the payment, financial control, accounting and reporting of all expenditures for the Commission.
- o develop, implement, and maintain a timely management information system.
- o provide all aspects of personnel management including recruitment and placement, classification standards and policies, and employee and labor-management relations.
- o develop and implement all training programs, including employee development, executive development, and training programs in support of new compliance activities.
- o provide for space management, supply and property management, safety, security, printing and reproduction, records management, transportation, warehousing, mail, and building maintenance.

FY 1980 and FY 1981 Activities

o Computer savings. We installed a mini-computer that is compatible with the Parklawn Computer Center. This computer permits us to automate many evaluation activities, and enables the staff to analyze data at lower costs. We completed a feasibility study of the benefits to be gained by developing a medium-size computer capability in CPSC. If we acquire this medium-sized computer we estimate that operating cost savings will eventually amount to nearly $500,000 per year.

o Performance appraisals. We developed guidelines on performance appraisals as required by the Civil Service Reform Act and initiated training of employees regarding the new provisions.

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o Flexitime. We adopted a flexitime policy for all CPSC employees in the Washington, D.C. metropolitan area. By adopting this policy, the Commission expects the employees, the agency, and the public to benefit through increased productivity, decreased short-term leave use, and an increase in the number of hours offices are open to serve the public.

o Merit Pay. The Commission will implement in FY 1981 a merit pay system for all supervisory and management personnel in grades GS-13 through GS-15 as required by the Civil Service Reform Act.

o Equal Opportunity. We will implement provisions of the Federal Equal Opportunity Recruitment Program.

Proposed Activities for FY 1982

The Commission requests 101 FTE's and $4,106,000 for Administration in FY 1982 to perform the following:

o Ongoing Administrative and General Support Services.

o Data Processing. Seek economies and efficiencies in automatic data processing operation that will result in cost savings in FY 1982.

o SES Development. Establish a program for the systematic development of candidates for Senior Executive Service and for the continuing development of senior executives in accordance with the provisions of the Civil Service Reform Act.

Impact of Change from January, 1981 to March, 1981 Budget Request

The reduction in this program amounts to 43 FTE's and $1,263,000.

At this level, employee training funds will be reduced considerably. Operating costs will be reduced. In addition, at the requested budget level, the Directorate for Administration will have to use substantial resources to conduct a reduction-in-force procedure for the agency. These resouces could have been utilized to improve operational efficiency.

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Crosswalk from January, 1980 FY 1981 Budget Request
to Current FY 1981 Budget

FY 1981 Resources
(Funds in Thousands of Dollars)

	FY 1981 Budget Request	Changes in Distribution of Overhead 1/	FY 1981 Budget Recalculated	President's Reduction	Transfer of Compliance Activities 2/	Technical Support and Research Transfers 2/	Aluminum Wire and ADP Transfers 2/	Budget Reduction 3/	Adjusted FY 1981 Budget
I. Policy Development and Direction	3,425	+ 463	3,888	—	—	—	+ 248	(10)	4,126
II. Product Safety and Enforcement									
Office of the Executive Director	1,474	+ 168	1,642	—	—	—	—	(160)	1,482
Hazard Programs									
Emerging Hazards	638	+ 52	690	(7)	—	+ 744	—	—	1,427
Fire/Thermal Burn	767	+ 55	822	(10)	(214)	+ 120	—	(101)	537
Electrical Hazards	1,406	(23)	1,383	(16)	—	—	—	—	1,367
Acute Chemical Hazards	856	(27)	829	(9)	(96)	—	—	(4)	720
Chronic Chemical Hazards	3,558	(4)	3,554	(33)	(57)	—	—	(612)	2,852
Mechanical Hazards - Child/Rec.	860	+ 23	883	(8)	(70)	—	—	—	805
Mechanical Hazards - Power	830	(42)	788	(7)	(72)	+ 90	—	(92)	707
Mechanical Hazards - Household	901	(10)	891	(10)	(182)	+ 105	—	—	804
On-going Activities									
Hazard Identification & Analysis	3,834	(111)	3,723	(100)	—	—	(480)	(86)	3,057
Engineering and Sciences	2,501	+ 107	2,608	—	—	(315)	—	(2)	2,291
Information and Education	2,160	+ 651	2,811	—	—	—	—	(134)	2,677
Compliance and Enforcement	2,666	+ 667	3,333	(100)	+ 691	(744)	(248)	(3)	2,929
Field Activities	12,873	(1,691)	11,182	(70)	—	—	—	(65)	11,047
III. Administration and General Support	5,210	(278)	4,932	(100)	—	—	+ 480	—	5,312
TOTAL	43,959	—	43,959	(470)	—	—	—	(1,349)	42,140

1/ Revised distribution of overhead costs based on individual offices rather than an overall agency average.
2/ Programmatic and Administrative transfers made by the Commission.
3/ Department of Housing and Urban Development - Independent Agencies Appropriations Bill, 1981 - Senate Report 96-526 and Department of Housing and Urban Development - Independent Agencies Appropriation Act, 1981, Public Law 96-526 Section 412, December 15, 1980.

U. S. CONSUMER PRODUCT SAFETY COMMISSION
Object Classification

(In Thousands of Dollars)

Identification Code: 61-0100-0-1-554		1980 Actual	1981 Estimate	1982 Estimate
Direct Obligations:				
11.1	Full-time permanent positions	22,804	23,795	17,966
11.3	Positions other than full-time permanent	1,398	1,216	1,099
11.5	Other personnel services payments	246	63	193
11.8	Special personnel services payments	73	12	58
11.9	Total personnel compensation	24,521	25,086	19,316
12.1	Personnel benefits: Civilian	2,369	2,385	2,147
13.0	Benefits for former personnel	6	29	40
21.0	Travel and transportation of persons	920	1,004	702
22.0	Transportation of things	56	86	80
23.1	Standard level user charge	2,408	2,846	2,320
23.2	Communications, utilities and other rent	2,223	2,529	2,145
24.0	Printing and reproduction	776	672	481
25.0	Other services	7,964	6,922	5,368
26.0	Supplies and materials	798	436	296
31.0	Equipment	406	144	86
42.0	Insurance	2	1	2
99.0	Subtotal, direct obligations	42,449	42,140	32,983
Reimbursable Obligations:				
25.0	Other services	596	548	550
99.0	Total Obligations	43,045	42,688	33,533

COMPARISION OF OBLIGATIONS
BY SUB-OBJECT CLASS 1980 - 1982

(Funds in Thousands of Dollars)

		1980 Actual	1981 Estimate	1982 Estimate
11.9	Personnel Compensation:	24,521	25,086	19,316
	Regular/full-time permanent	(22,804)	(23,795)	(17,966)
	Part-time/temporary	(1,338)	(1,158)	(1,052)
	Other	(60)	(58)	(47)
	Other personnel services payments (Overtime)	(246)	(63)	(193)
	Special personnel services payments (Contract)	(73)	(12)	(58)
12.1	Personnel Benefits:	2,369	2,385	2,147
	FICA	(44)	(52)	(38)
	Awards	(39)	(39)	(5)
	CS Retirement	(1,635)	(1,657)	(1,589)
	FEGLI	(60)	(61)	(55)
	FFHBA	(435)	(451)	(406)
	Accident Compensation	(40)	(48)	(18)
	Real Estate Cost - Change of Station	(96)	(48)	(18)
	Other	(20)	(29)	(18)
13.0	Benefits for former personnel: Severance	6	29	40
21.0	Travel:	920	1,004	702
	Parking Fees	(36)	(42)	(37)
	Rental of Vehicles	(206)	(207)	(142)
	Foreign	(1)	(3)	(2)
	Administrative Travel	(87)	(143)	(92)
	All other - Domestic Travel	(590)	(609)	(429)
22.0	Transportation:	56	86	80
	Household Goods	(29)	(40)	(38)
	Other Shipments	(27)	(46)	(42)

COMPARISON OF OBLIGATIONS
BY SUB-OBJECT CLASS 1980 - 1982

(Funds in Thousands of Dollars)

		1980 Actual	1981 Estimate	1982 Estimate
23.1	Standard Level User Charge:	2,408	2,846	2,320
	Warehouse	(68)	(85)	(87)
	Laboratory	(264)	(313)	(132)
	Resident Posts	(153)	(137)	(140)
	Regional Offices	(687)	(860)	(503)
	Headquarters & Others	(1,236)	(1,451)	(1,458)
23.2	Communications, Utilities and Other Rent:	2,223	2,529	2,145
	Electronic Data Processing	(221)	(250)	(250)
	Teletype	(63)	(111)	(100)
	Data Communications Terminals	(212)	(200)	(180)
	Photo Equipment	(276)	(287)	(225)
	Other Rented Equipment	(25)	(175)	(160)
	Postage	(466)	(480)	(380)
	Telephone Services	(960)	(1,026)	(850)
24.0	Printing & Reproduction:	776	672	481
	GPO	(733)	(635)	(454)
	Other Commercial Printing	(17)	(15)	(11)
	Film Development - Micro Illustrations	(26)	(22)	(16)

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COMPARISON OF OBLIGATIONS
BY SUB-OBJECT CLASS 1980 - 1982

(Funds in Thousands of Dollars)

	1980 Actual	1981 Estimate	1982 Estimate
25.0 Other Services:	7,964	6,922	5,368
Data Processing	(1,550)	(1,100)	(907)
Training: Tuition & Fees	(120)	(190)	(50)
Building Maintenance/Operations	(93)	(90)	(25)
Equipment Repair	(68)	(50)	(15)
Payroll Service Charge	(106)	(107)	(112)
Other Services & Contracts	(6,027)	(5,385)	(4,259)
26.0 Supplies and Materials:	798	436	296
Lab Supplies	(55)	(51)	(30)
ADP Supplies	(20)	(16)	(15)
Subscriptions	(168)	(125)	(120)
Audiovisual and Printing Supplies	(56)	(36)	(24)
Office Supplies, Lab Supplies and Other Supplies	(499)	(208)	(107)
31.0 Equipment:	406	144	86
Office Furniture & Furnishings	(4)	(7)	(5)
Typewriters	(84)	(28)	(30)
Books	(39)	(10)	(5)
Lab Equipment	(139)	(79)	(40)
Photographic Equipment	(11)	(2)	(0)
Other	(129)	(18)	(6)
42.0 Insurance:	2	1	2

COMPARISON OF OBLIGATIONS
BY SUB-OBJECT CLASS 1980 - 1982

(Funds in Thousands of Dollars)

	1980 Actual	1981 Estimate	1982 Estimate
TOTAL DIRECT OBLIGATIONS:	42,449	42,140	32,983
REIMBURSABLE OBLIGATIONS: (Other Services)	596	548	550
COMMISSION TOTAL	43,045	42,688	33,533

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U. S. CONSUMER PRODUCT SAFETY COMMISSION
TRAVEL CEILING BY ORGANIZATION
(Funds in Thousands of Dollars)

	1980 Actual	1981 Estimate	1982 Estimate
Chairman & Commissioners	$ 26	$ 20	$ 19
Office of Public Participation Office of the Secretary Office of Congressional Relations Office of General Counsel Office of Internal Audit Administrative Law Judge Office of Media Relations	75 1/	129 1/	56 1/
Office of Equal Employment Opportunity	4	3	2
Office of Communications	25	31	30
Office of the Executive Director	10	12	10
Office of Program Management	8	13	12
Office of Budget, Program Planning & Evaluation	2	1	1
Directorate/Hazard Identification & Analysis	26	30	18
Directorate/Engineering & Sciences	25	29	28
Directorate/Health Sciences	16	17	15
Directorate/Compliance & Enforcement	53	29	27
Directorate/Administration	118 2/	158 2/	111 2/
Directorate/Field Operations	532	532	373
CPSC Total	$ 920	$1,004	$ 702

1/ This amount includes travel for OPP, OCR, OGC, OIA, ALJ, and OMR and the statutory Advisory Committees. Travel costs for Advisory Committees are excluded in FY 1982 due to their proposed elimination.

2/ Includes Administration, Training and Common Cost.

STATUS OF PRIORITY PROJECTS

A. Projects Selected for Priority Attention - FY 1980
The Commission selected 14 projects for priority attention in FY 1980. Nine of these projects have been carried over to 1981, and are described in the next section.

Project	FY 1980 Status	FY 1981 Activities
Cellulose Insulation. If not properly treated, cellulose insulation can present flammability and corrosion hazards. In addition, cellulose insulation improperly installed around recessed light fixtures or other sources of heat can catch fire.	The Commission conducted a major enforcement effort of its amended standard for the flammability and corrosiveness of cellulose insulation and its labeling rule dealing with the proper installation of the product. Both rules became effective in FY 1980.	The Commission will continue its enforcement efforts and will work closely with industry to assist manufacturers to comply with the standard. As a result of a settlement of litigation concerning the standard, the Cellulose Manufacturers Association agreed to petition the Commission for specific changes in the cellulose standard, and the Commission, in turn, agreed to respond fully to the petition in a reasonable period of time. Enforcement of the standard will begin unless the Commission extends the effective date.
Unvented Gas-Fired Space Heaters. An estimated 70 people die each year when unvented gas-fired space heaters fill their living quarters with carbon monoxide gas.	The Commission published a final safety standard that will require oxygen depletion sensor systems on all unvented gas heaters manufactured or imported after June 14, 1981.	
Communications Antennas. Injuries and deaths from electrocutions may occur as consumers install or remove CB antennas by inadvertently bringing them into contact with overhead power lines.	Commission staff development of a mandatory standard for omnidirectional CB antennas continued.	The Commission staff will make its recommendations on a possible mandatory standard to the Commission.
Projectile Toys. An estimated 750 children under 15 years of age were treated in hospitals in 1978 for injuries related to toys which propel objects (such as dart guns). Many of these injuries involved eye damage.	Commission staff reviewed and evaluated additional work done by NBS on test methods for assessing the hazards posed by projectile toys, as well as other information.	The staff will forward its recommendations on possible regulatory action to the Commission for its consideration.
Tap Water Scalds. The accidental exposure to excessively hot water can cause serious scald injuries, especially to very young children and the elderly. In 1979, an estimated 5,400 people were treated in hospital emergency rooms for such burn and scald injuries.	The Commission worked with information and education standards groups to finalize voluntary requirements for cautionary labeling on all hot water heaters, and has been successful in having a lower factory preset temperature required for gas hot water heaters, as well as for electric heaters.	The Commission will monitor the effectiveness of the voluntary standards.

* Priority projects are determined by the Commission each year as part of their operating plan decisions. This list provides guidance to the staff on which activities the Commission believes to be most important in that operating year.

B. Projects selected for Priority Attention-FY 1981 (items added to the Priority List in 1981 are denoted by *. All other items were carried forward from the FY 1980 Priority List).

Project	FY 1980 Status	FY 1981 Activities
Aluminum Wiring. Aluminum wiring systems installed in over 1.5 million homes and mobile homes between 1965 and 1973 can overheat posing a potential serious fire hazard.	Pretrial discovery was completed on the issue of whether the Commission has jurisdiction over aluminum wiring systems.	The U.S. District court will decide the jurisdictional issue in trial on the written record in lieu of oral testimony. If the Court rules in the Commission's favor, the matter will proceed to a trial on the merits, in which CPSC seeks the Court to declare that such wiring systems are an imminent hazard and to order 26 manufacturers of aluminum wire and electrical devices to give widespread public notice and to repair or replace existing wiring systems.
Asbestos. Inhalation of microscopic fibrous particles of this mineral compound is widely recognized as a cause of lung cancer.	The Commission, in coordination with the Environmental Protection Agency, published an Advance Notice of Proposed Rulemaking to gather information on consumer products containing asbestos, and began development of a general order on asbestos used in consumer products.	The Commission issued a general order to gather additional information on asbestos in certain consumer products. Selected products will be tested for asbestos release. Exposure and risk will be determined, and appropriate control strategies recommended to the Commission. CPSC will continue to coordinate its efforts in this area with EPA.
Benzidine Congener Dyes. Consumers may face a risk of cancer from exposure to consumer dye products and arts/crafts dyes utilizing benzidine, O-tolidine and O-dianisidine dyes (referred to as benzidine congener dyes).	CPSC has completed its hazard evaluation and exposure assessment for these dyes and began development of a rule to control consumer exposure to all three groups of dye products marketed for direct sale to consumers.	Rule development will continue. An examination will also be conducted of these dyes in clothing and other textiles and the Commission will consider whether action is necessary to reduce any hazard identified with the use of benzidine dyes.
Chain Saws. The Commission estimates that there were over 100,000 chain saw injuries requiring medical attention in 1979, which is up from an estimated 76,000 in 1976. About 23% of the injuries associated with chain saws result from a phenomenon known as "kickback" -- the rearward and upward travel of the chain saw when the saw bucks, kicks, or otherwise unexpectedly jumps toward the operator.	The Commission completed evaluation of the draft voluntary standard and found the proposal inadequate. The Commission voted to proceed with the in-house development of a mandatory standard for chain saws, their components, and replacement parts to address chain saw "kickback" hazards.	Development of the mandatory standard for chain saws will begin.
Coal and Woodburning Stoves. These stoves have become increasingly popular as Americans seek less costly alternatives to heating homes with oil, gas, and electricity. However, if these stoves are improperly installed or inadequately maintained, they may pose a serious fire hazard.	The Commission has proposed a mandatory labeling rule regarding safe installation and maintenance of coal and wood burning stoves.	Final action on the proposed mandatory labeling rule will be considered.

Project	FY 1980 Status	FY 1981 Activities
Cribs. CPSC staff identified an additional risk of injury from head entrapment in the cut-out designs of certain crib headboards and footboards.	Commission staff developed a suggested test method to identify cribs which present a potential risk of head entrapment.	The Commission proposed an amendment to its crib regulation to address the risk of head entrapment and will decide whether to issue a final rule.
*Electric Blankets. In 1978 there were an estimated 2200 fires, 15 deaths and 100 consumer injuries associated with electric blankets. As more consumers turn down their thermostats and turn on their electric blankets, the number of blanket-related fires is likely to increase.	The Commission initiated a study of the fire hazards associated with electric blankets.	Based on the study initiated in FY 1980 the Commission may make recommendations to improve existing voluntary standards.
Formaldehyde. A government panel of scientists concluded that formaldehyde should be presumed to pose a cancer risk to humans. Formaldehyde gas released from consumer products is also associated with respiratory problems, headaches, eye and skin irritation and other symptoms.	The Commission received a report from the National Academy of Sciences, which concluded that there is no population threshold for the irritant effects of formaldehyde gas on humans and that formaldehyde should be kept at the lowest practical concentration in indoor residential air; a federal panel report stated that it would be prudent to presume that formaldehyde poses a risk of cancer in humans; and a report from the Franklin Institute, which showed that even when produced under optimum conditions, UF foam insulation can release measurable amounts of formaldehyde. CPSC focused its attention on UF foam insulation, held four public hearings and proposed a disclosure notification requirement for the product.	The Commission voted to propose a ban of urea formaldehyde foam insulation in lieu of the disclosure notification requirement based on the acute and chronic health effects associated with the release of formaldehyde gas from the product. CPSC will assess the comments received on the proposal and decide whether to issue a final rule. In addition, CPSC will look into the availability of substitutes for formaldehyde use in consumer products and will examine the extent of consumer exposure to formaldehyde from such products as plywood, particle board and textiles.

Project	FY 1980 Status	FY 1981 Activities
*House Wiring. The home wiring system contains a variety of devices that may either be hazardous themselves or when combined with other devices. As many as half of all home electrical fires involve these devices.	CPSC conducted in-depth fire investigations and research to identify defects and hazardous conditions involving wires and cables, over-current protection devices, and connectors and switches.	Based on investigations in FY 1980, the Commission will examine the need for product standards or for changes in existing standards and codes.
*Indoor Air Pollution. Various harmful pollutants -- including radon, formaldehyde, carbon monoxide, and nitrogen dioxide -- have been found in the air in homes. This problem may be made worse by current efforts to conserve energy by insulating or sealing air leaks and thereby creating a tighter thermal envelope. Indoor air pollution may pose a more serious human health problem than outdoor pollution since Americans spend 70 to 80 percent of their time indoors.	The Commission has been working with EPA, DOE, and other federal agencies to determine the health effects and environmental implications of major indoor air pollutants. The Interagency Regulatory Liaison Group, at CPSC's recommendation, established a special task group to investigate the issue of indoor air pollution, including the possibilities of joint research and regulatory activities.	CPSC will investigate a variety of consumer products which have potential for contributing to indoor air pollution and will examine the feasibility of the use of air to air heat exchangers as one possible solution to indoor air pollution.
Plastics Flammability. With the widespread use of more and different types of plastics in consumer products, certain of these products containing plastics appear to be unusually flammable or produce unusually toxic gases when they burn.	A 3-year research effort into the combustion and toxic effects of selected plastic consumer products was begun.	CPSC will continue its research into the flammability and possible toxic effects of plastics in selected consumer products. The Commission also plans to develop small-scale test methods to evaluate the hazards of plastics in consumer products.
Upholstered Furniture. Every year upholstered furniture fires caused by smoldering cigarettes are estimated to kill at least 1200 people and seriously injure another 3700.	The Commission monitored the voluntary industry program to increase the cigarette resistance of upholstered furniture and conducted chair-burn tests to evaluate the effectiveness of the program.	The Commission will complete the assessment of the effectiveness of the industry voluntary program and will decide what further action is appropriate.

C. Priority Programs to Improve Regulatory Processes -- FY 1981

The Commission has again selected for priority attention additional programs to improve CPSC regulatory processes. The following list contains three priorities carried over from FY 1980 and two new priorities added in FY 1981. The new priorities are denoted by an asterisk (*).

Further developing the use of section 15 of the Consumer Product Safety Act (CPSA) to identify and remove substantially hazardous products from the marketplace quickly, concentrating efforts on major hazards and exploring ways in which the effectiveness of product recalls can be improved.

Surveying the Commission's basic injury data needs, improving data collection methods as necessary, and seeking out other useful sources of information on injury, illness and death associated with consumer products.

Looking to voluntary standards, in certain areas, as alternatives and supplements to mandatory regulation, and evaluating their effectiveness.

* Evaluating existing product safety standards, bans, and other regulations to ensure that they are still serving important safety goals, and revoking those that are no longer needed or unduly burdensome.

* Continuing the Commission's outreach to minorities, low income consumers, the elderly, and other special populations, focusing on serious hazards and the need to take corrective action.

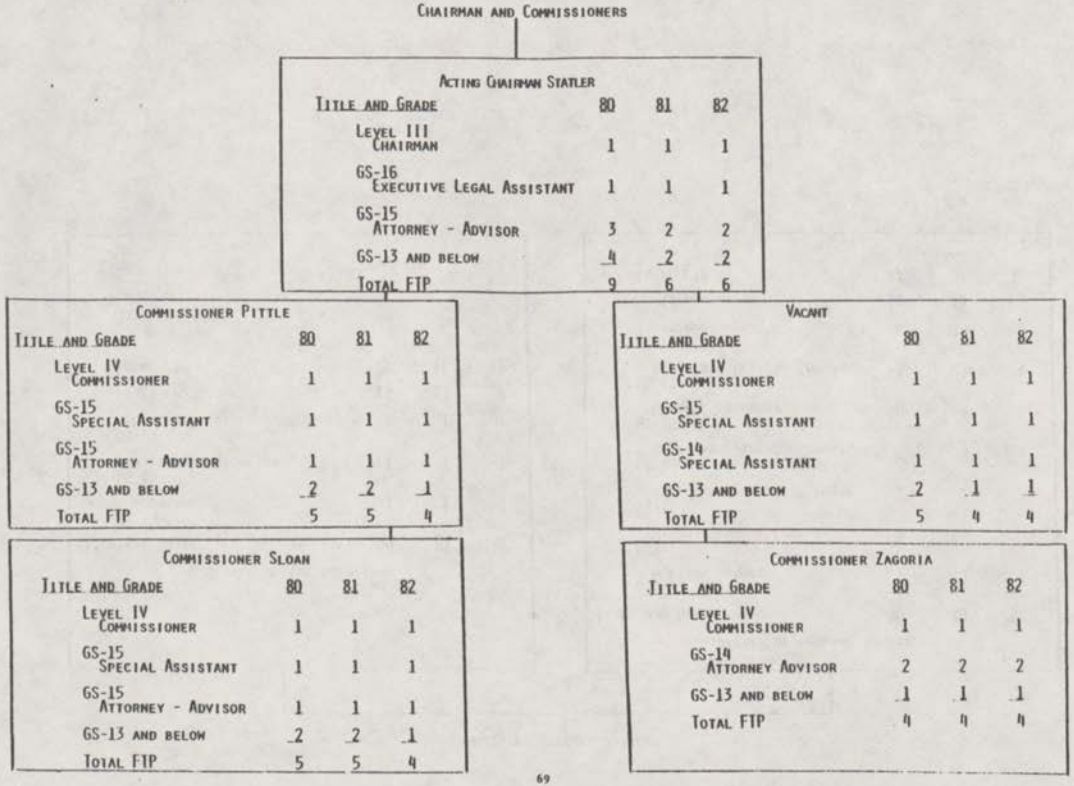
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PERSONNEL SUMMARY

	FY 1980	FY 1981	FY 1982
Total number of full-time permanent positions	801	812	633
Total Compensable workyears:			
Full-time equivalent employment	978	891	697
Full-time equivalent of overtime and holiday hours	8	8	8
Average GS grade	10.58	10.57	10.66
Average GS salary	$25,740	$26,646	$26,960

U. S. CONSUMER PRODUCT SAFETY COMMISSION
DETAIL OF PERMANENT POSITIONS

	1980 Actual	1981 Estimate	1982 Estimate
Executive Level III	1	1	1
Executive Level IV	4	4	4
Subtotal	5	5	5
ES 4	9	9	9
ES 3	5	6	6
Subtotal	14	15	15
GS-16	1	1	1
GS/GM-15	72	67	59
GS/GM-14	83	83	72
GS/GM-13	119	115	90
GS-12	117	111	75
GS-11	170	161	120
GS-10	1	1	1
GS-9	48	40	31
GS-8	18	10	7
GS-7	51	43	34
GS-6	51	44	34
GS-5	102	94	75
GS-4	24	18	10
GS-3	1	1	1
Subtotal	858	789	610
Grades established by act of July 1, 1944 (42 U.S.C. 207):			
Senior Grade, $27,373 to $31,875	1	1	1
Ungraded	2	2	2
Total Permanent Positions	880	812	633
Unfilled positions, end of year	-30	-0-	-0-
Total Permanent Employment, end of year	850	812	633


CHAIRMAN AND COMMISSIONERS
ACTING CHAIRMAN STATLER
TITLE AND GRADE 80 81 82
LEVEL III CHAIRMAN 1 1 1
GS-16 EXECUTIVE LEGAL ASSISTANT 1 1 1
GS-15 ATTORNEY - ADVISOR 3 2 2
GS-13 AND BELOW 4 2 2
TOTAL FTP 9 6 6
COMMISSIONER PITTLE
TITLE AND GRADE 80 81 82
LEVEL IV COMMISSIONER 1 1 1
GS-15 SPECIAL ASSISTANT 1 1 1
GS-15 ATTORNEY - ADVISOR 1 1 1
GS-13 AND BELOW 2 2 1
TOTAL FTP 5 5 4
VACANT
TITLE AND GRADE 80 81 82
LEVEL IV COMMISSIONER 1 1 1
GS-15 SPECIAL ASSISTANT 1 1 1
GS-14 SPECIAL ASSISTANT 1 1 1
GS-13 AND BELOW 2 1 1
TOTAL FTP 5 4 4
COMMISSIONER SLOAN
TITLE AND GRADE 80 81 82
LEVEL IV COMMISSIONER 1 1 1
GS-15 SPECIAL ASSISTANT 1 1 1
GS-15 ATTORNEY - ADVISOR 1 1 1
GS-13 AND BELOW 2 2 1
TOTAL FTP 5 5 4
COMMISSIONER ZAGORIA
TITLE AND GRADE 80 81 82
LEVEL IV COMMISSIONER 1 1 1
GS-14 ATTORNEY ADVISOR 2 2 2
GS-13 AND BELOW 1 1 1
TOTAL FTP 4 4 4

Commission Related Offices

Office of the Secretary

Title and Grade	80	81	82
GS-15 Secretary	1	1	1
GS-14 Assistant Secretary	1	1	1
GS-14 Public Participation Officer	1	1	1
GS-13 and below	13	13	9
Total FTP	16	16	12

Office of General Counsel

Title and Grade	80	81	82
SES 4 General Counsel	1	1	1
SES 3 Deputy General Counsel	1	2	2
GS-15 Associate General Counsel	1	2	2
GS-15 Assistant General Counsel	3	3	3
GS-15 General Attorney	0	1	1
GS-14 Associate General Counsel	1	1	1
GS-14 Attorney	6	13	10
GS-13 and below	14	14	10
Total FTP	27	37	30

Commission Related Offices

Office of Congressional Relations

Title and Grade	80	81	82
GS-15 Director	1	1	1
GS-15 International Economist	1	1	1
GS-13 and below	4	4	2
Total FTP	6	6	4

Office of Media Relations

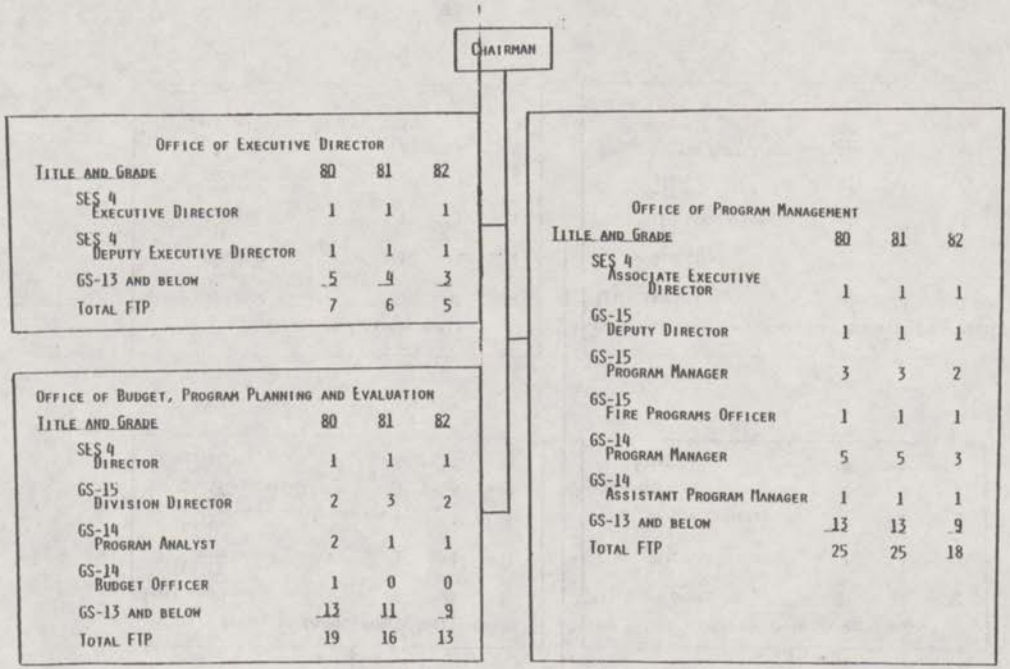
Title and Grade	80	81	82
GS-15 Director	1	1	1
GS-14 Deputy Director	1	1	0
GS-13 and below	3	3	2
Total FTP	5	5	3

Office of Internal Audit

Title and Grade	80	81	82
GS-15 Director	1	1	1
GS-15 Auditor	1	1	1
GS-14 Auditor	1	1	1
GS-13 and below	2	0	0
Total FTP	5	3	3

Office of Equal Employment and Minority Enterprise

Title and Grade	80	81	82
GS-15 Director	1	1	1
GS-14 EEO Specialist	1	1	1
GS-13 and below	8	6	5
Staff	(2)	(1)	(1)
Upward Mobility	(6)	(5)	(4)
Total FTP	10	8	7



OFFICE OF EXECUTIVE DIRECTOR

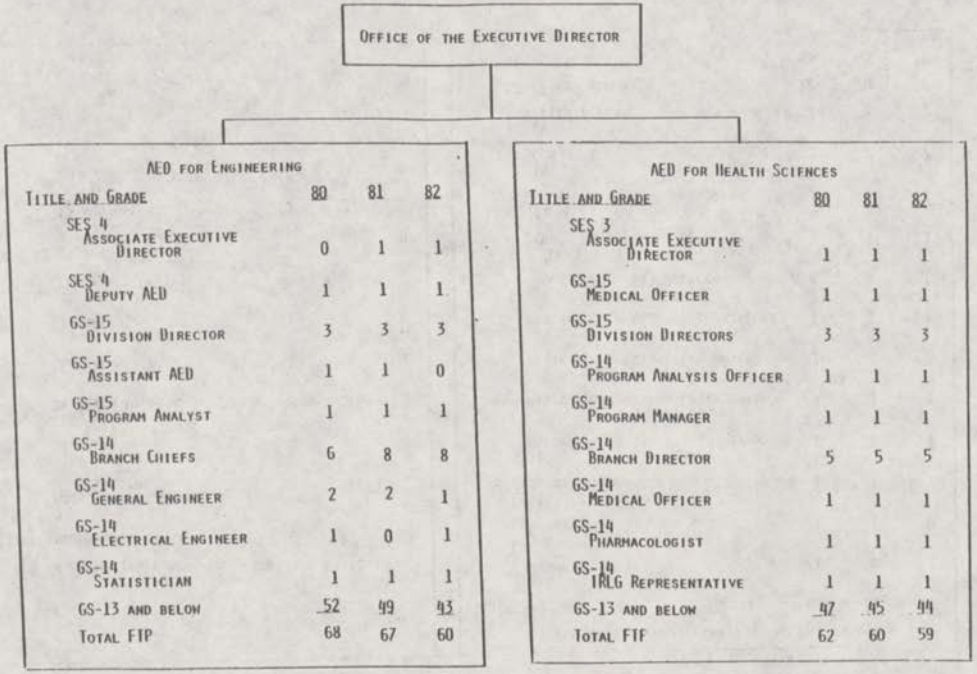
TITLE AND GRADE	80	81	82
SES 4 EXECUTIVE DIRECTOR	1	1	1
SES 4 DEPUTY EXECUTIVE DIRECTOR	1	1	1
GS-13 AND BELOW	5	4	3
TOTAL FTP	7	6	5

OFFICE OF BUDGET, PROGRAM PLANNING AND EVALUATION

TITLE AND GRADE	80	81	82
SES 4 DIRECTOR	1	1	1
GS-15 DIVISION DIRECTOR	2	3	2
GS-14 PROGRAM ANALYST	2	1	1
GS-14 BUDGET OFFICER	1	0	0
GS-13 AND BELOW	13	11	9
TOTAL FTP	19	16	13

OFFICE OF PROGRAM MANAGEMENT

TITLE AND GRADE	80	81	82
SES 4 ASSOCIATE EXECUTIVE DIRECTOR	1	1	1
GS-15 DEPUTY DIRECTOR	1	1	1
GS-15 PROGRAM MANAGER	3	3	2
GS-15 FIRE PROGRAMS OFFICER	1	1	1
GS-14 PROGRAM MANAGER	5	5	3
GS-14 ASSISTANT PROGRAM MANAGER	1	1	1
GS-13 AND BELOW	13	13	9
TOTAL FTP	25	25	18

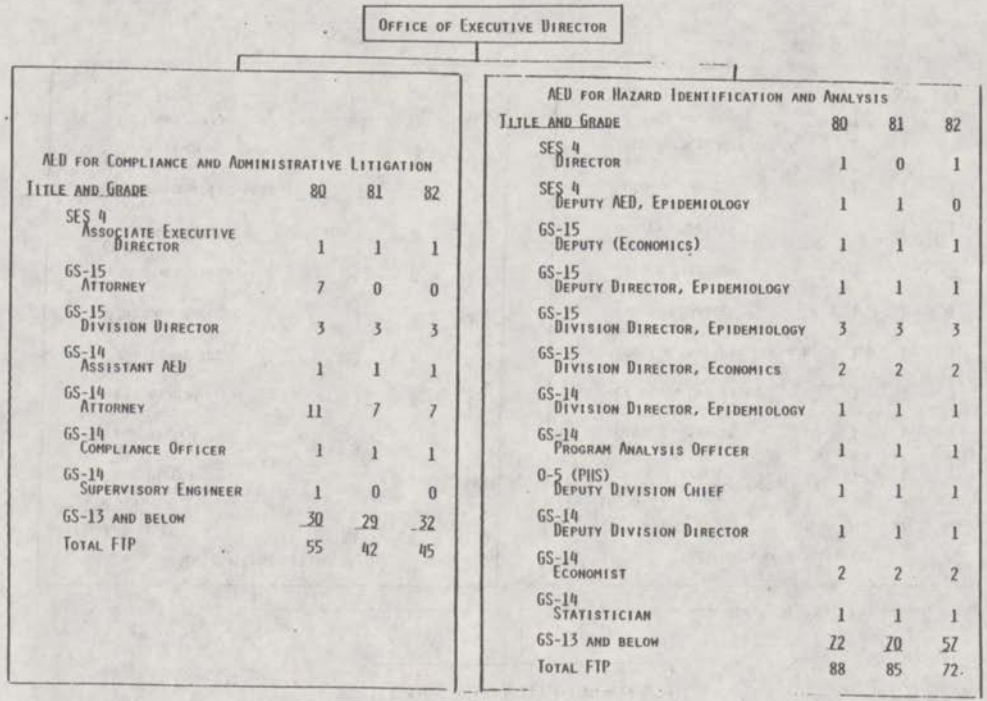


AED for Engineering

Title and Grade	80	81	82
SES 4 Associate Executive Director	0	1	1
SES 4 Deputy AED	1	1	1
GS-15 Division Director	3	3	3
GS-15 Assistant AED	1	1	0
GS-15 Program Analyst	1	1	1
GS-14 Branch Chiefs	6	8	8
GS-14 General Engineer	2	2	1
GS-14 Electrical Engineer	1	0	1
GS-14 Statistician	1	1	1
GS-13 and below	52	49	43
Total FTP	68	67	60

AED for Health Sciences

Title and Grade	80	81	82
SES 3 Associate Executive Director	1	1	1
GS-15 Medical Officer	1	1	1
GS-15 Division Directors	3	3	3
GS-14 Program Analysis Officer	1	1	1
GS-14 Program Manager	1	1	1
GS-14 Branch Director	5	5	5
GS-14 Medical Officer	1	1	1
GS-14 Pharmacologist	1	1	1
GS-14 IRLG Representative	1	1	1
GS-13 and below	47	45	44
Total FTE	62	60	59

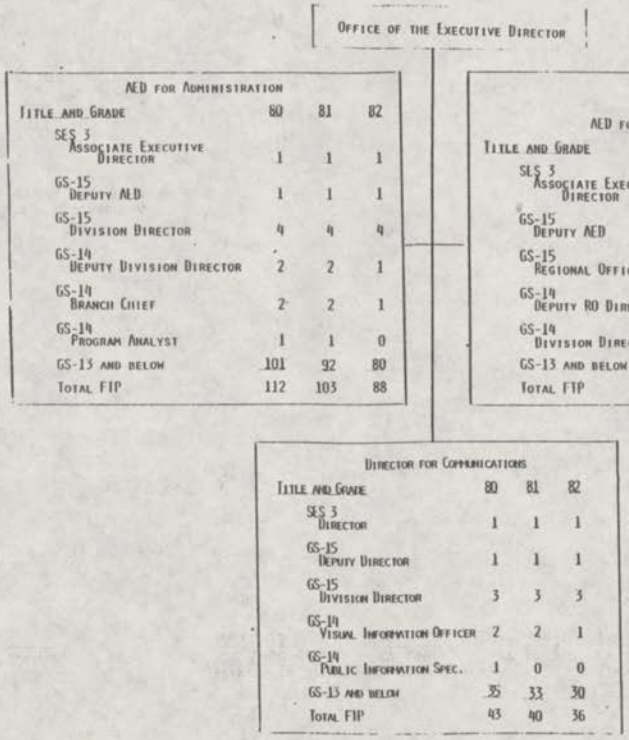


AED for Compliance and Administrative Litigation

Title and Grade	80	81	82
SES 4 Associate Executive Director	1	1	1
GS-15 Attorney	7	0	0
GS-15 Division Director	3	3	3
GS-14 Assistant AED	1	1	1
GS-14 Attorney	11	7	7
GS-14 Compliance Officer	1	1	1
GS-14 Supervisory Engineer	1	0	0
GS-13 and below	30	29	32
Total FTP	55	42	45

AED for Hazard Identification and Analysis

Title and Grade	80	81	82
SES 4 Director	1	0	1
SES 4 Deputy AED, Epidemiology	1	1	0
GS-15 Deputy (Economics)	1	1	1
GS-15 Deputy Director, Epidemiology	1	1	1
GS-15 Division Director, Epidemiology	3	3	3
GS-15 Division Director, Economics	2	2	2
GS-14 Division Director, Epidemiology	1	1	1
GS-14 Program Analysis Officer	1	1	1
O-5 (PHS) Deputy Division Chief	1	1	1
GS-14 Deputy Division Director	1	1	1
GS-14 Economist	2	2	2
GS-14 Statistician	1	1	1
GS-13 and below	72	70	57
Total FTP	88	85	72



AED for Administration

Title and Grade	80	81	82
SES 3 Associate Executive Director	1	1	1
GS-15 Deputy AED	1	1	1
GS-15 Division Director	4	4	4
GS-14 Deputy Division Director	2	2	1
GS-14 Branch Chief	2	2	1
GS-14 Program Analyst	1	1	0
GS-13 and below	101	92	80
Total FTP	112	103	88

AED for Field Operations

Title and Grade	80	81	82
SES 3 Associate Executive Director	1	1	1
GS-15 Deputy AED	1	1	1
GS-15 Regional Office Director	10	10	5
GS-14 Deputy RO Director	8	8	5
GS-14 Division Director	3	3	2
GS-13 and below	281	246	142
Total FTP	304	269	156

Director for Communications

Title and Grade	80	81	82
SES 3 Director	1	1	1
GS-15 Deputy Director	1	1	1
GS-15 Division Director	3	3	3
GS-14 Visual Information Officer	2	2	1
GS-14 Public Information Spec.	1	0	0
GS-13 and below	35	33	30
Total FTP	43	40	36

U. S. CONSUMER PRODUCT SAFETY COMMISSION

SUMMARY OF CONSULTING SERVICES 1/

Consulting Services Provided By	Obligations (Funds in Thousands of Dollars) FY 1980 (Actual)	FY 1981 (Estimate)	FY 1982 (Estimate)	Work days (Personnel Appointments Only) FY 1980 (Actual)	FY 1981 (Estimate)	FY 1982 (Estimate)
Contract Services	997	856	359	—	—	—
Personnel Appointments	73	12	58	463	74	365
Advisory Committees	85	102	—	—	—	—
Total	1,155	970	417	463	74	365

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1/ Account Title: Salaries and Expenses
Account Identification Code: 61-0100-0-1-554

The Commission uses a variety of consulting services to augment or supplement in-house expertise only when necessary.

1. Commission Policy Development and Direction

Under the Commission Policy Development and Direction Program, the Commission is supported by the Product Safety Advisory Council, Toxicological Advisory Board, National Advisory Committee for the Flammable Fabrics Act, and the Technical Advisory Committee for Poison Prevention Packaging. These advisory committees provide the Commission with expert advice, opinions, and recommendations on major policy issues and proposed rulemaking. In FY 1982, the Commission will recommend that the Advisory Committees be eliminated because of the reduced budget request for 1982.

2. Product Safety and Enforcement

Consultants have provided expert advice and assistance to in-house personnel in programs such as the acute chemical hazards, chronic chemical hazards, compliance and enforcement, and hazard identification programs.

For example, consulting services are used to provide additional expertise in a wide range of toxicological and chemical subject areas, including methodological advice and data analysis. Consulting services are also used to augment in-house expertise in assessing the economic and environmental impact of promulgated rules. Finally, the Commission uses consulting services to provide technical expertise and expert witness testimony in the support of litigation. One example is the old technology aluminum wire case where specialized engineering knowledge, unavailable within the Commission, was required to develop the case.

3. Administration and General Support

The Commission has used consulting services to supplement CPSC's own expertise in the areas of labor-management relations and ADP technical services. Consulting services permitted the Commission to successfully establish and implement a labor-management relations program. Consultants have been used for ADP technical services because of the highly technical nature of the work. This expertise permitted the Commission to obtain a more effective computer support facility.

4. Office of Internal Audit Evaluation

In FY 1981, the Commission's Office of Internal Audit will conduct an evaluation of the agency's management controls involving the use of consulting services, and will analyze the accuracy and completeness of the data provided to the Federal Procurement Data System regarding consultant service contractural arrangements. The evaluation report will be submitted to the Congress upon its completion.

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