

## EXTENSIONS OF REMARKS

SENATOR MANSFIELD'S LEADERSHIP REVIEWED BY NATIONAL JOURNAL

**HON. JENNINGS RANDOLPH**

OF WEST VIRGINIA

IN THE SENATE OF THE UNITED STATES

Thursday, April 15, 1971

Mr. RANDOLPH. Mr. President, one of the most respected and admired Members of the Senate today is the distinguished majority leader, Senator MIKE MANSFIELD.

In his own quiet and effective way, the Montanan has made the force of his personality felt, not just in the Congress but throughout the United States and other countries. His colleagues and the public value his opinions because they know they are born of conviction.

Mr. President, on March 6, the National Journal published an extensive review of Senator MANSFIELD'S tenure as majority leader. The article, by Andrew J. Glass, examined in depth the man and his career.

I ask unanimous consent that the material, in part, be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

MAJORITY LEADER MIKE MANSFIELD: "THERE IS NO MEANNESS IN HIM"

In January 1966, Senate Majority Leader Mike Mansfield, D-Mont., was summoned to the White House for one of the bipartisan advice-seeking sessions favored by former President Lyndon B. Johnson on the eve of major policy decisions.

When it came Mansfield's turn to speak, he unfolded a three-page typewritten statement drafted in the dry style of a college professor—which he once was. He argued in the statement that air raids over North Vietnam, which had been suspended for a month-long "peace offensive," should not be resumed.

Some days after the White House meetings, Mansfield watched on television in his Capitol office, S-210, as Mr. Johnson announced that the bombing halt was over. "I feel so sorry for him," Mansfield said. "I can imagine what he's going through."

**CHARACTER**

The remark reflected a compassionate side of Mansfield's complex character. Sen. Hubert H. Humphrey, D-Minn., once alluded to this quality when he observed that "there is no meanness in him."

"Keep in mind," Humphrey added in an interview, "the things he says, no matter how critical, do not spring from personal ambition, but rather as a reflection of his own mind and conscience."

Mansfield now says of the Johnson period: "It's not easy to say 'no' to the President in that oval office, where he is surrounded by all of his advisers and chiefs of staff. I guess I had to do that half a dozen times."

Mansfield's forgiving approach to politics remains one of the chief reasons why a Senate in which personal ambition is no stranger manages to function with a minimum of rancor.

While the Mansfield and Johnson political styles are poles apart, Mansfield shares with Johnson, who was his predecessor as Ma-

majority Leader, a somewhat mystical sense of the Senate's dignity and integrity. In spite of his forgiving nature, Mansfield cannot abide behavior that tends to throw the Senate into disrepute.

Senator Minority Leader Hugh Scott, R-Pa., describes Mansfield as "the most decent man I've ever met in public life. He's fair. And his word rates in fineness above the gold at Fort Knox."

There is a certain bleakness to the Mansfield landscape: his smile, while warm, is not quick in coming. Mansfield's public life is increasingly governed by the credo once espoused by the 17th-century English poet John Dryden when he wrote:

"For all the happiness  
Man can gain  
Is not in pleasure,  
But in rest from pain."

At 67, Mansfield is six feet tall and weighs 170 pounds. He speaks in short declarative sentences in a flat style that has been compared to that of a sheriff of the Old West. The Majority Leader has long been one of the most casual dressers in the Senate. Lately, the contrast with his colleagues has sharpened; he often appears in the Senate wearing a sport jacket and yellow socks.

**CAREER**

Michael J. Mansfield was born March 16, 1903 in Manhattan's Greenwich Village. He was reared in Great Falls, Mont., the first son of Irish immigrant parents, who ran a grocery store below their apartment.

As a youth, Mansfield ran away from home three times, ending up twice in the Great Falls city jail, the second time overnight, before his third and successful attempt.

He entered the Navy on Feb. 23, 1918, at age 14, for the duration of World War I. In 1919, he enlisted in the Army for one year, and then enlisted in the Marine Corps for two years, serving mainly in China.

In 1922, he returned to Montana to work in the Butte copper mines, 3,000 feet below the surface, for the next eight years.

While working as a miner, he met Maureen Hayes, a Butte school teacher. Miss Hayes encouraged him to resume his studies (he had never finished grade school) while Mansfield encouraged her to marry him, which she did.

He attended the University of Montana at Missoula from 1930 to 1934, where he received his bachelor's and master's degrees. Mansfield then embarked upon a new career as an associate professor of Latin American and Far Eastern history at the university, where he taught for 10 years. He still retains permanent tenure there as a professor of history.

Mansfield ran for Congress in 1942 and served five terms in the House (1943-53). He was elected to the Senate in 1952 and reelected in 1958, 1964 and 1970. Johnson engineered his election as Majority Whip in 1957. When Johnson became Vice President in 1961, John F. Kennedy persuaded a reluctant Mansfield to serve as Majority Leader. He has held that position longer than any other Senator.

**MONTANA**

Mansfield wields the full power inherent in his position only to protect the interests of his 682,000 Montana constituents.

Mansfield has been known to keep Cabinet officers waiting in his outer office while he chatted amiably with a touring Montana family.

Over the years, copper mining legislation and other measures of direct interest to his state have been safely guided through the Senate.

Should Mansfield come to feel that Montana has been shortchanged in its slice of federal funds, he is apt to summon the agency chief to his office for a head-to-head talk. This is a fearsome and parochial side of Mansfield which outsiders rarely see.

In non-election years, he returns to Montana only a few times a year, mainly to speak on college campuses.

Mansfield's campaign style is to come into a hotel lobby an hour or so before the scheduled start of a political dinner and to stand quietly in a corner with his wife, smoking a pipe. As soon as he is recognized, a reception line forms and everyone comes up to shake his hand.

Last year, in an Oct. 28 Great Falls campaign speech, Mansfield said: "Every candidate who runs for public office has the duty and obligation to lay his whole life before the people he seeks to represent."

In 1970, Mansfield ran against Harold E. (Bud) Wallace, a Missoula sporting-goods salesman. Wallace accused Mansfield during the campaign of "being soft on communism." The issue failed to take root when President Nixon sent an Air Force plane to Glasgow Air Force Base in Glasgow, Mont., to fly Mansfield to New York, where he accompanied the President on an Oct. 23 visit to the United Nations.

Mansfield ignored his opponent, never mentioned him in the campaign, and won 150,060 to 97,809.

**SCHEDULE**

While in Washington, Mansfield usually arrives at the Capitol before 7 a.m. in a car chauffeured by Lorenzo M. Lee.

He has breakfast with his closest friend in the Senate, George D. Aiken, R-Vt., and Aiken's wife, Lola, who is her husband's administrative assistant. By 8:15, he is in his Capitol office, dictating letters, drafting speeches and conferring with his senior staff.

Mansfield leaves the office 10 minutes before the start of a Senate session for his daily press conference behind the Majority Leader's desk on the Senate floor. Normally, he skips lunch; when he does eat, it is alone in his office.

Depending on the nature of the business before the Senate, Mansfield will remain on the floor or ask his deputy, Sen. Robert C. Byrd, D-W. Va., to monitor the debate.

He will see visitors throughout the afternoon, coming off the Senate floor or from the cloakroom retreat to meet with them in his office.

In late afternoon, Mansfield usually returns to his "Montana office," a six-room suite in the old Senate Office Building, where he dictates and signs mail until he leaves for home.

The Mansfield's social schedule is comparatively light. He prefers to be home by 10 p.m. The Mansfield's only child, Anne, is an economics writer in London.

**SENATE LIFE**

Humphrey once observed that Mansfield "is a political leader who refuses to be pressured. He resents outside contacts. He calls that 'lobbying.'"

Mansfield also abhors the idea of acquiring or exercising power for his own account. When he became majority leader, he halted the practice of conducting the kind of painstaking pre-ballot senatorial headcounts that Robert G. (Bobby) Baker once handled for Lyndon Johnson in their years together. The White House filled the void until 1969; since then, the policy committee staff has quietly resumed headcounts—without the vote-by-vote fine tuning that marked the Johnson years.

Mansfield is unwilling to say whether the Johnson high-pressure power-broker system or his own far more gentle approach ("Senators will have to live up to their responsibilities; all Senators are equal") works best in the long run.

"We're different personalities, and we have faced different problems," Mansfield said in an interview. "It's just not a fair comparison. But Johnson was the greatest Majority Leader the Senate ever had."

In 1970, most rank-and-file Senators quite predictably favor the Mansfield technique. As former Sen. John J. Williams, R-Del. (1947-71) once observed:

"When Lyndon was the leader, he liked to play tricks on you. The game was always trying to outfox Lyndon. But I would never try to pull anything like that on Mike. Why he'd just turn around and say, 'The Senator, of course, is perfectly within his rights. . . .'"

UNIT PRICING

HON. BENJAMIN S. ROSENTHAL

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Wednesday, April 7, 1971

Mr. ROSENTHAL. Mr. Speaker, in this period of spiraling prices, it is the responsibility of the business community and Government to develop ways in which consumers can maximize the value of their shrinking dollars. It is also their responsibility to assure the efficiency and equity of our free-enterprise system.

The decision of Safeway Stores, Inc., some 18 months ago, to begin a permanent program of unit pricing of packaged food products in many of their stores, was a statesmanlike act that went a long way toward fulfilling these responsibilities. More importantly, Safeway's unit-pricing program, soon to be extended to stores in other parts of the country, prompted dozens of other food chains to initiate similar unit-cost labeling programs.

It is for these reason that I was extremely pleased to have played a part in Safeway's initial decision to undertake a unit-pricing program. I am also pleased that Safeway commissioned an objective outside study of the feasibility and acceptability of its unit-pricing program.

That 6-month study, prepared by Dr. Monroe Peter Friedman, of Eastern Michigan University, shows excellent consumer acceptance of unit pricing. It is a landmark study in the field of consumer information, and is particularly important during a period of serious inflation.

Dr. Friedman's report dispels two myths often advanced by special interest forces as an argument against the consumers' need to know and right to be informed. The first myth is that the American shopper is a walking computer capable of ferreting out and defeating any marketplace fraud or deception; and, in particular, that she is able to determine the most economical buy among varying package sizes and prices in the supermarket.

That myth is punctured by the Friedman study, which shows that under present supermarket conditions (and 4 years after fair packaging and labeling), consumers are almost totally incapable

of determining the most economical buy from among two package sizes.

The second myth deflated by the Friedman report is that consumers are not interested in more information. His study shows that 38 percent of the suburban shoppers and 25 percent of the inner-city shoppers found the unit-pricing labels helpful and used them regularly.

As one who is interested in marketing techniques, I can assure you that these figures are impressive and speak well for the consumer's desire to be informed and to get the most for his money.

The Safeway decision to initiate a unit-pricing program is also highly significant in that it too dispels some tired myths about the future of unit pricing and the relationship between the consumer and business communities.

First, Safeway's initial decision to experiment with unit pricing and its decision to commission a detailed report on the results of its experiment dispel the notion—popular in some quarters—that voluntary cooperation between business and the consuming public can never solve pressing consumer problems.

Second, Safeway's preliminary conclusion that unit pricing pays for itself explodes the myth that consumers must necessarily foot an astronomical bill for implementation of such a program. Cost factors will be better demonstrated after Safeway's program is operating on a much larger scale and after experiments by other food stores are completed. But we are encouraged.

It is our hope that Safeway's spirit of cooperation will continue and that its unit-pricing program will set off a competitive scramble, among supermarkets across the country, to implement similar programs. Such a nationwide program, I believe, could result in savings to consumers of millions of dollars.

The complete text of the Friedman study follows:

DUAL-PRICE LABELS: USAGE PATTERNS AND POTENTIAL BENEFITS FOR SHOPPERS IN INNER-CITY AND SUBURBAN SUPERMARKETS

(By Monroe Peter Friedman, director of the Center for the Study of Contemporary Issues and professor of psychology, Eastern Michigan University, Ypsilanti, Mich.)

ACKNOWLEDGMENTS

This research was supported by funds provided by Safeway Stores, Inc. and the National Association of Food Chains. The author gratefully acknowledges this support as well as the assistance provided by Gordon Bivens of the University of Missouri, Robert Herrmann of Pennsylvania State University, and Ezra Kohn of President Nixon's Committee on Consumer Interests. These consumer researchers reviewed the study design and made many valuable suggestions.

Additional thanks are due to Ken Cook of Century Research Corporation, who supervised the collection of the data, and to the several computer programmers who assisted with the data analysis (Edmond Goings and Peter Diehr of Eastern Michigan University's Instructional Computer Center and Jeanne Kuo of the programming staff of the University of Michigan's Institute for Social Research).

ABSTRACT

Two studies were conducted relating to dual-price labels. The first was concerned with consumer reaction to an experimental dual-pricing program introduced in an inner-city and a suburban supermarket,

each of which was located in the Washington, D.C. area. The results revealed that 25% of the inner-city-store sample of 798, and 38% of the suburban-store sample of 878, reported having used the labels. Almost all of these respondent-users claimed that the labels were helpful and it would appear that a similarly large number had continued to use them several months beyond the time they were introduced in the stores.

Respondent use of labels for individual products was examined and the results indicated that many product purchasers reported having used the labels for comparing the costs of different brands as well as sizes in both stores. However, when a control response adjustment was applied to these responses, a substantial downward correction in usage figures resulted for the suburban-store sample, but not for the inner-city-store sample.

Multivariate analyses of the relationship between demographic variables and label usage found that education and age were significantly related to label usage in both samples. Sample-specific effects were uncovered for other demographic variables.

The second study, which was also conducted in an inner-city and a suburban supermarket in the Washington area, was concerned with how effectively shoppers are able to compare prices without the aid of dual-price labels. Six sets of price-comparison problems were developed to conform to a two-dimensional model of difficulty in consumer price comparisons. One dimension of the model dealt with packaging practices, and the other considered pricing practices. Each set of problems was administered to about 80-90 shoppers in each store and a record made of the accuracy of their responses.

The results offered strong support for the validity of the model in that both packaging and pricing factors were found to have significant effects upon response correctness. The findings suggest that shopper usage of dual-price labels would result in substantial reductions in response errors for many price-comparison problems.

Policy implications of the two studies are drawn for past as well as present legislative efforts to assist the consumer.

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In late September of 1969, Safeway Stores, Inc. initiated an experimental pricing program in a Washington, D.C. inner-city supermarket. Two months later, the program was enlarged to include a second Safeway store in the Virginia suburbs of Washington. The two experiments were conducted at the suggestion of U.S. Congressman Benjamin S. Rosenthal of New York to ascertain consumer reaction to a new informational display which specified, for each of several thousand supermarket packages, the price-per-measure (pound or pint) for the package as well as the price of the package itself. A second objective of the experiments was the determination of the economic feasibility of establishing this dual-pricing program in supermarket settings.

In April of 1970, a survey of consumer reaction to the pricing programs in the two stores was conducted under the joint sponsorship of Safeway Stores, Inc. and the National Association of Food Chains. What follows is a report of this survey together with a second report of a related background study which examined the influences of certain pricing and packaging practices on the consumer's ability to make effective price comparisons.

Before examining the particulars of these two reports and their implications for public policy, let us briefly review the concept of dual pricing as well as the chronology of events which led to the initiation of the dual-pricing experiments.

#### Dual pricing: The concept and its development

A number of terms (unit pricing, price-per-measure, dual pricing, and "truth-in-pricing") have recently been employed to describe the practice of providing price information to consumers by such standard measures as the ounce, pound, pint and quart. The practice has been used by supermarkets for many years to display price information for such store-packaged, variable-size products as meat and cheeses. Advocates of dual pricing would like to see the practice extended to the thousands of pre-packaged grocery products which are not customarily priced in this manner.

Recently, a number of legislative measures have been introduced at local, state, and national levels in an effort to effect this change in retail pricing practices. Among the most publicized are the proposed "Truth-in-Pricing" regulation of the Department of Consumer Affairs of New York City and the unit-pricing bills (H.R. 11549 and S. 1424) introduced by Congressman Rosenthal and by Senator Gaylord Nelson of Wisconsin in the 91st Congress. These bills would amend the Federal Fair Packaging and Labeling Act of 1966 to require disclosure by retailers of per-measure-prices for packaged consumer commodities. Although the 1966 Federal Act contains provisions for facilitating price comparisons by consumers (e.g., a requirement that package labels display net quantity of contents, as well as a provision for adopting voluntary size standards by industry in instances of excessive proliferation of sizes), it stops short of requiring the posting of price-per-measure information.

Advocates of these various legislative measures point to a host of packaging practices (packaging-to-price, cents-off labels, slack fill, fractional quantity units) which they feel impair the ability of the consumer to compare prices effectively. They further contend that the tremendous increase in items carried by supermarkets (from about 1,000 in 1930 to 8,000 in 1970) has exacerbated the price-comparison problems of the consumer to an unacceptable level. These advocates believe that the dual-pricing remedy they propose would alleviate these problems by shifting the major share of the burden of

price comparisons from the consumer to the packager and/or retailer.

#### Dual pricing: A review of related scientific research

What evidence exists to support these various contentions of the dual-pricing advocates? A likely source to examine are the reactions of shoppers who have been exposed to the practice in their neighborhood supermarkets. However, two problems arise with this source, namely limited shopper experience with dual pricing and an absence of published scientific reports describing this experience. Over the last few years, three cooperative supermarkets have voluntarily employed dual pricing. And even more recently (within the last year), a number of large supermarket chains have adopted the practice. However, no scientific tests of consumer reaction have been reported by these various markets.

Given the virtual absence of experiential data relating to dual pricing, let us look next to the research literature of the behavioral sciences for its possible relevance. Two questions are of concern here. The first considers evidence relating to the ability of consumers to make price comparisons under current marketplace conditions. The second examines the consumer priority assigned to price as a criterion in purchase decisions. Both questions are central to the determination of a need for dual pricing. If the research evidence should indicate that marketplace conditions do not permit consumers to compare prices effectively, one can argue that some corrective measure such as dual pricing is called for. Furthermore, if it can be demonstrated that price considerations constitute a major criterion for the shopping decisions of many consumers, then the case for corrective action becomes all the stronger.

A search of the research literature uncovered only one study bearing upon the first of these two questions. Friedman (1966) instructed 33 college-educated housewives to select the most economical package (largest quantity for the price) for each of 20 products on sale at their local supermarket. The women erred in almost half (43%) of their selections. In addition, statistically significant differences for the set of 20 products were found for the three performance measures employed in the study, and these differences reflected, at least in part, differences in packaging practices for these products.

Although these findings are suggestive of consumer difficulties in comparing prices, the limited samples of consumers (33) and stores (1) place severe limits on their generalizability to other customer populations and supermarkets. And perhaps even more critical is the questionable relevance of these findings to today's supermarket products. The data were collected in late 1964, prior to the passage of the Federal Fair Packaging and Labeling Act of 1966, thus the subsequent implementation of the mandatory and voluntary provisions of the Act may have significantly reduced the consumer confusion revealed in the study.

Turning next to an examination of behavioral science research relating to the question of the priority assigned by consumers to price considerations in their purchase decisions, we find several indications that price contributes significantly to these decisions. A factor analytic study by Becknell and Maher (1962) revealed that pricing is one of five principal factors in determining the customer image of a food retailer. A second study, using the same statistical technique, found that cost of food was the most important of seven identified factors underlying the food-buying decisions of housewives (Trier, Smith, and Shaffer, 1960). Stone (1954), in an earlier sociological study of a sample of Chicago women, identified four types of shoppers based on their orientation

toward retail stores. It is of interest to note that not only did the "economic shopper" constitute one of Stone's four categories, but it also accounted for more respondents (33%) than any of the other three.

The strong consumer interest expressed in price considerations in the three studies suggests that consumers are knowledgeable about the prices of commonly purchased grocery products. However, the *Progressive Grocer Colonial Study* (1964) of Colonial Store shoppers found that less than 40% of the respondents could make accurate estimates (within 5%) of the prices of highly advertised grocery products. This finding, together with that of Stone's, suggests that most consumers are not primarily concerned with price in making purchase decisions.

While this brief review of the research literature has not answered our two earlier-posed questions, it has provided an essential starting point for further research. Taken together, these several studies suggest that price plays a significant role in the purchase decisions of many (if not most) consumers, and for a substantial minority (perhaps a third), it plays a primary role. Whether or not these consumers are able to make effective use of price information under current marketplace conditions remains an open question.

The present series of studies attempts to shed additional light on our two questions by examining consumer reaction to an experimental dual-pricing system, and by determining the effects of certain pricing and packaging practices on the consumer's ability to make accurate price comparisons.

#### Study 1: Consumer Reaction to Dual Pricing

The two supermarkets selected by Safeway for the pilot pricing program were large modern stores. The inner-city store had a floor space area of 14,000 square feet. Its suburban counterpart extended over a 15,000 square-foot area. The inner-city store had no supermarket competition in the neighboring area, while the suburban store was located near two large supermarket competitors.

Dual-price labels were introduced in each of these stores for almost half of its 7,000 items. Four lines of computer-printed information appeared on each label. Each line was printed with 3/16-inch-high, upper-case characters. The first line presented, for each package, the associated quantity, brand, and product type (e.g. 20 OZ. HEINZ KETCHUP). The second line consisted of the words "EACH PRICE", which were followed by the posted price of a single package of the product. The third line contained the words, "PRICE PER POUND OR PINT", followed by the appropriate figure (rounded to the nearest whole cent) for the package. Finally, the fourth line, which was separated from the others by a dotted line, listed information for use by store personnel. The left side contained the words "UNIT PACK", followed by a two-digit number, and the right side, the words "ITEM CODE" followed by a five-digit number. A typical format appears below:

13-OZ. PLANTERS COCKTAIL PEANUTS:	
EACH PRICE.....	0.69
PRICE PER POUND OR PINT.....	.85
.....	
Unit pack, 12. Item code, 10129.	

In most instances, the price label was attached to the rim of the supermarket shelf, immediately below the associated package type. For some products however, different presentation modes were employed. For example, frozen food labels were placed immediately above the frozen food bins, and packaged bread labels were posted on a single chart which was placed near the store location for this product.

The dual-price labels were placed in the inner-city store in late September of 1969, and in the suburban store in early December of the same year. Hostesses were employed by

Safeway to orient each store's customers to the concept of dual-pricing and the potential benefits to be realized by its use. The hostesses, who were trained by a Safeway home economist, used a number of comparative pricing demonstrations which illustrated the savings to be realized by purchasing large packages. The hostess orientation program was in operation for twelve weeks in the inner-city store and for three weeks in the suburban store.

#### Study Design

After the dual-pricing program had been in effect for 29 weeks in the inner-city store, and 21 weeks in the suburban store, a survey of consumer response was undertaken. In an effort to secure a representative sample of customers, in-store interviews were conducted in each store throughout the 72-hour week (9 a.m. to 9 p.m., Monday through Saturday) during which the store was open. The number of interviews conducted during each of the 72 hour periods was based upon an estimate of the traffic flow through the store during the period. The estimate was derived from an hourly traffic count made in each store (by noting cash-register transaction numbers at the end of each hour) during a typical shopping week.

With this information in hand, each twelve-hour store day was partitioned into six two-hour periods and a decision made as to whether the traffic count for each of these periods was light, moderate, or high. Moderate traffic periods had counts which were, on the average, twice as high as light traffic periods, and high traffic periods averaged three times higher than light ones. Two interviewers were scheduled for each light two-hour period, four interviewers for each moderate two-hour period, and six interviewers for each high two-hour period. By using this procedure, the total assigned interviewer hours for each store approximated 200 hours, and minor adjustments in each store schedule were made to obtain an exact figure of 200 in each case.

This procedure worked reasonably well in reflecting the traffic patterns for the two stores. Indeed, when frequency distributions (in percentage form) were constructed for the traffic counts and assigned interviewer hours, both by day of week and time of day (the two-hour time periods), it was found that the corresponding entries were in close agreement, usually differing by less than 1%. For example, 15.7% of the customers in the suburban store shopped on Monday (according to the traffic count data), and 16.0% of the 200 interview hours for that store were assigned to Monday.

The survey design called for five interviews per hour (one every twelve minutes) for each of the 200 interviewer hours, or a total of 1,000 interviews for each of the two stores. Three weeks were devoted to data collection in each store.

#### The Interview Schedule

After pre-testing several preliminary interview schedules in the test stores, a three-page form (presented in Appendix A) was adopted and employed to secure customer reaction to the dual-pricing program. To facilitate the later processing of the collected data, the interview questions were printed on Digitek sheets (type DS 2966), provided by the Optical Scanning Corporation of Newton, Pennsylvania. These sheets contain rows and columns of blue rectangular boxes in which the interviewers recorded answers to the closed-end questions in the interview schedule. Answers to open-end questions were recorded verbatim on spaces provided on the Digitek sheets, and these responses were later coded by the investigator and entered in special spaces provided on the Digitek sheet. After all Digitek sheet entries had been made and checked, the sheets were run through an OPSCAN Optical Reader and Card Punch,

which automatically punched one IBM card for each sheet.

The three pages of the interview schedule are described below.

**Page 1.** The first page of the interview schedule asked whether the respondent had noticed the dual-price labels, and, if so, whether she had understood them. For those who had noticed the labels, this page further inquired into whether they had used them in the last month. Finally, users were asked if the labels had been helpful to them and in what ways.

**Page 2.** The second page of the interview schedule contained questions relating to label use in shopping for specific products. These questions were asked only of label users and dealt with 16 test products (products which the store had dual priced) and two control products (products which the store had not dual priced). Questions relating to the two control products were asked of all label-user respondents. The sixteen test products were split into two groups of eight, and half of the label-users were asked about each group. To accomplish this, two forms of the second page were constructed (Forms A and B), each of which asked about customer usage of the dual-price labels, in shopping, for one set of eight test products and both control products. Depending on the form of its second page, each interview schedule was designated "A" or "B". A and B schedules were then arranged in alternating order (on an odd-even basis) and administered to respondents in this sequence.

The same questions were asked for all test and control products. In each instance, respondents were first asked if they buy the product at the test store. If they responded in the affirmative, they were further asked if they had used the dual-price labels to compare the costs of different brands and sizes of the product. If they reported having used the labels to compare different package sizes, they were asked if, as a result of using label information, they had switched to a larger or smaller size of the product. If they reported having used the labels to compare different product brands, they were asked if, as a result of using label information, they had switched brands, and if so, to name the old and new brands purchased. The brands named were subsequently coded into store and non-store categories.

The set of 16 test products employed in the study consisted of canned peaches, canned peas, catsup, corn flakes, family flour, frozen orange juice, granulated sugar, instant coffee, liquid bleach, liquid detergent, mayonnaise, peanut butter, powdered detergent, soft drinks (cola), solid shortening and tomato juice. These products had the following characteristics in common:

1. The various packages of the product are sold in weight or volume measures.
2. Two or more package sizes of the product were sold at the test supermarkets.
3. At least one store brand and one non-store brand of the product were sold at the test supermarkets.
4. These brands appeared to be comparable with regard to the nature of their contents. Thus the many varieties of dry cereals were not included in the study due to the wide differences among them; however, one variety of dry cereals, namely corn flakes, was included since the various brands of this product appeared comparable.
5. The product appeared to be widely used by American consumers.
6. The product was a significant contributor to total supermarket sales, both in inner-city and suburban areas. (See the *Progressive Grocer Colonial Study* (1964) and Linden (1965) for a listing of the contributions of the test products to total sales for a south-eastern regional chain and for central-city and urban-fringe areas of the United States.)

Finally, a characteristic not of any one

product, but of the whole set of test products, was that they appeared to constitute a balanced representation of the packaged products which are sold in American supermarkets in weight or volume measures. (There was one major exception to this statement: drug and cosmetic products, such as mouthwash, shampoo, and toothpaste, were not dual priced in the two Safeway stores, and thus not included in the set of test products.)

The two control products included in the study (potato chips and toothpaste), although excluded from the dual-pricing programs of the two stores, shared all of the six above-listed characteristics in common with the 16 test products.

The ten Form A products were potato chips, liquid detergent, canned peaches, corn flakes, peanut butter, toothpaste, granulated sugar, tomato juice, instant coffee, and liquid bleach. The ten Form B products were potato chips, powdered detergent, canned peas, solid shortening, frozen orange juice, toothpaste, family flour, catsup, soft drinks (cola), and mayonnaise. To control for possible order effects (e.g. sensitization or fatigue) in the presentation of the questions for the two lists of products, each list was arranged in ten different orders and each order was administered to about 10% of each sample of respondents. The ten product orders constituted a simple Latin-Square experimental design (Federer, 1955) in which each product was presented in each ordinal position an equal number of times.

**Page 3.** The third page of the interview schedule was concerned primarily with such demographic information as sex, age, race, income, and education. In addition, other questions were also included which related more specifically to the supermarket setting for the study (e.g. frequency of shopping).

#### Interviewing Procedure

The interviewing phase of the study was conducted under the supervision of Dr. Ken Cook of Century Research Corporation. For each of the five interviews planned for an interviewing hour (at twelve-minute intervals, starting on the hour), the interviewer was instructed to position herself at the inside entrance of the test store and, after waiting ten seconds, approach the first shopping party entering the store containing at least one adult (18 or over as estimated by the interviewer). Next, she identified herself as an employee of Century Research Corporation (she wore a name tag with her name and the corporate name to confirm this), and informed the prospective respondent that Century Research Corporation was conducting a survey to learn about the grocery shopping habits of people in the area. The prospective respondent was further told that the survey results would be used to help improve our understanding of the needs of shoppers like herself.

After this brief introduction, the interviewer simply stated, "I would like to ask you a few questions," and then paused for a brief moment to see if the prospective respondent objected to being interviewed. If no objections were raised, two screening questions were asked of the prospective respondent:

1. Who does most of the grocery shopping for your household?

2. Since last year at this time, have you been doing most of your grocery shopping at this store?

If the prospective respondent identified herself as the principal grocery shopper for her household, and further claimed that over the last year she had been doing the bulk of her grocery shopping at the test store, then the interviewer turned immediately to the first question on the interview schedule. If, on the other hand, the prospective respondent either refused to be interviewed or provided disqualifying answers to the two screening questions, the interviewer discon-

tinued her questioning and thanked the prospective respondent. After the prospective respondent had departed, the interviewer noted, on a form provided for this purpose, the particulars of the non-interview, including the reason for its occurrence (if known) and the characteristics of the prospective respondent (sex, race, and estimated age). Once having made these notations, the interviewer, in an effort to locate a replacement for the missed interview, returned to the store entrance and awaited the next prospective respondent. Since the interview usually lasted two-to-seven minutes (depending primarily on whether or not the respondent had used the dual-price labels), there was usually ample time to secure a replacement interview before the next scheduled interview was to begin.

If an interview was begun but not completed (usually because the respondent could not spare the time to answer all the interview questions), the interviewer followed the same procedure as for non-interviews; i.e., she noted the particulars of the incomplete interview on a special form and returned to the store entrance in an effort to locate a replacement for the incomplete interview.

#### Interviewer Selection, Training, and Supervision

Since it was readily apparent from Safeway market research data (and from causal observation as well), that the customer population of the inner-city store was almost exclusively Negro and that that of the suburban store was almost exclusively white, it was decided to employ Negro interviewers in the inner-city store and white interviewers in the suburban store, in the expectation that better interviewer-respondent rapport would be the result. Six female Negro interviewers were recruited from Washington-area colleges for employment in the inner-city store, and a like number of female white interviewers, from a Century Research Corporation interviewer pool, were assigned to the suburban store. The interviewers were given three half-days of training which included an orientation to interviewing, familiarization with the study objectives and interview schedule, and in-store practice interviews. Telephone checks were made on the information recorded by the interviewers in an attempt to verify data authenticity and, with one exception, the checks revealed no inconsistencies.

#### Results

This section considers the character and representativeness of the obtained samples, the respondents' answers to the dual-price-label interview questions, and certain multivariate analyses of the relationships between demographic variables and respondent utilization of the dual-price labels.

#### Sample Character and Representativeness

Due to a number of factors (refusals, non-qualifying interviewees, missed interviewer assignments, and incomplete interviews) the 1,000 respondent quota for each test store was not realized. Instead, 803 interviews were secured in the inner-city store and 879, in the suburban store. Several of these were eliminated from the analysis due to missing data on the dual-price-label usage questions, leaving totals of 798 and 878, respectively for the inner-city and suburban stores.

How representative were these samples of the customer populations of the two supermarkets? Looking first at Tables 1 and 2, which present, for the expected sample (traffic counts) and the obtained sample (completed interviews), the frequency distributions (in percentage form) over days of the week and intra-day time periods, we find that in most instances the two distributions are in fairly close agreement. However, as a check on the possible effects of the percentage differences between the expected and obtained

sample distributions on respondent utilization of the dual-price labels (the critical dependent variable for the study), two additional analyses were made. First, the percentage of label users was calculated for each day of the week and the resulting figures were applied to the daily traffic-count data to obtain an expected percentage of users for each test store. The expected percentages of users for the inner-city and suburban stores (24.7% and 37.6%, respectively) were in close agreement with the obtained percentages of users for these stores (24.8% and 37.6%). When a second set of expected percentages was calculated, based this time on usage over the four intra-day time periods listed in Table 2, a similar result obtained. (The expected value for the inner-city store (24.8%) is the same as the obtained value for this store, while the suburban store expected value (37.5%) is just .1% below its obtained value.) Thus it would seem that the departures of our sample distributions over inter-day and intra-day periods from the expected distributions over these time periods did not result in a biased picture of respondent reaction to the dual-price labels.

TABLE 1.—PERCENTAGE DISTRIBUTIONS OF TRAFFIC COUNTS AND COMPLETED INTERVIEWS BY DAY OF WEEK FOR THE INNER-CITY AND SUBURBAN STORES

Day of week:	Inner-city store		Suburban store	
	Traffic count	Completed interviews	Traffic count	Completed interviews
Monday.....	12.3	13.2	15.7	15.5
Tuesday.....	13.6	10.4	13.7	13.7
Wednesday.....	13.3	14.3	13.8	14.8
Thursday.....	14.8	14.4	14.7	15.0
Friday.....	18.7	17.2	19.3	17.1
Saturday.....	27.4	30.6	22.8	23.9
Total.....	100.0	100.0	100.0	100.0

Note: Entries may not add to totals due to rounding.

TABLE 2.—PERCENTAGE DISTRIBUTIONS OF TRAFFIC COUNTS AND COMPLETED INTERVIEWS BY 3-HOUR DAILY PERIODS FOR THE INNER-CITY AND SUBURBAN STORES

Time period:	Inner-city store		Suburban store	
	Traffic count	Completed interviews	Traffic count	Completed interviews
9 to 11:59 a.m.....	17.5	23.9	19.2	18.6
12 to 2:59 p.m.....	23.1	20.3	24.5	22.9
3 to 5:59 p.m.....	33.1	29.3	33.2	33.0
6 to 8:59 p.m.....	26.3	26.4	23.0	25.5
Total.....	100.0	100.0	100.0	100.0

Note: Entries may not add to totals due to rounding.

Three other possible sources of sample bias were examined using the non-interview and incomplete interview sheets filled out by the interviewers. In the inner-city store, 432 interviews were not conducted due to the no-eligibility of the prospective respondents with regard to the two screening criteria (principal shopper for household and test-store shopping over the past year). An additional 301 prospective respondents in the inner-city store either refused to be interviewed or refused to complete the interview once it had begun. (Some of these in the former group may have been eliminated anyway, had the screening questions been asked of them.)

Data for the 301 non-respondents were pooled with the data for the 798 inner-city store respondents and an expected percentage of label users was computed for the three variables (age, sex, and race) for which information was collected on the non-interview

and incomplete interview sheets. For each variable, the expected percentage was calculated using the actual percentages of usage obtained for respondents at the various levels of each variable. The question of concern in these analyses is whether the percentage of label users is likely to have been different had the non-respondents been included in the sample. The expected percentages for age, sex, and race (24.5%, 24.9% and 24.5%, respectively) differed only fractionally from our obtained value of 24.8%. When a similar analysis was performed on the pooled sample for the suburban store (269 non-respondents and 878 respondents), the resulting figures for age, sex, and race (37.8%, 37.5%, and 37.8%) also differed little from the obtained value of 37.6%.

As a result of these comparisons, it would appear that, although each of the two samples differed from its target population on the five variables for which information was available (the two temporal variables and the three demographic variables), these differences did not seriously affect respondent utilization of the dual-price labels. Thus, in the analyses which follow, the data are not weighted on any of these variables.

#### Demographic Composition of the Two Samples

As indicated in Table 3, the two respondent samples differed considerably on almost all of the listed demographic variables, and most markedly on racial composition. As compared to their inner-city-store counterparts, the suburban-store sample contained a larger proportion of the following groups: whites, females, the married, the middle-aged, and the college-educated. And the households they represent were more often medium in size (two to four occupants), high in income, and with a respondent's spouse as the chief wage earner.

TABLE 3.—DEMOGRAPHIC CHARACTERISTICS OF THE TEST STORE SAMPLES

Variable	[Percent]	
	Inner city (N equals 798)	Suburban (N equals 878)
Sex:		
Male.....	42.9	16.2
Female.....	56.8	83.7
No response.....	.4	.1
Total.....	100.0	100.0
Age:		
Under 30.....	29.7	20.5
30 to 39.....	18.5	18.6
40 to 49.....	19.2	24.5
50 to 59.....	12.7	19.6
60 to 69.....	11.5	11.2
70 or above.....	7.6	5.1
No response.....	.8	.6
Total.....	100.0	100.0
Race:		
Negro.....	96.1	5.0
White.....	1.3	94.1
Other.....	2.4	.8
No response.....	.3	.1
Total.....	100.0	100.0
Marital status:		
Married.....	48.9	77.9
Single.....	29.1	9.8
Separated.....	7.6	.9
Divorced.....	4.8	3.9
Widowed.....	9.6	7.5
No response.....	.1	0
Total.....	100.0	100.0
Education (highest level):		
0 to 8 years.....	18.8	3.5
9 to 11 years.....	21.6	6.0
High school graduate.....	28.1	32.5
Some college.....	18.4	26.7
College graduate.....	12.5	30.5
No response.....	.6	.8
Total.....	100.0	100.0

See footnotes at end of table.

TABLE 3.—DEMOGRAPHIC CHARACTERISTICS OF THE TEST STORE SAMPLES—Continued

Variable	[Percent]	
	Inner city (N equals 798)	Suburban (N equals 878)
Household size:		
1.....	22.3	11.5
2.....	23.3	32.0
3.....	14.5	19.9
4.....	12.3	20.3
5.....	9.8	9.1
6 or more.....	17.2	6.8
No response.....	.6	.3
Total.....	100.0	100.0
Household income:		
Under \$1,000.....	4.5	.3
\$1,000 to \$1,999.....	5.5	.8
\$2,000 to \$2,999.....	6.0	.9
\$3,000 to \$3,999.....	6.3	1.8
\$4,000 to \$4,999.....	6.5	1.1
\$5,000 to \$5,999.....	8.8	2.8
\$6,000 to \$7,499.....	10.0	4.6
\$7,500 to \$9,999.....	14.8	12.9
\$10,000 to \$14,999.....	12.2	24.1
\$15,000 to \$24,999.....	6.0	23.6
\$25,000 or more.....	1.6	11.5
No response.....	17.8	15.5
Total.....	100.0	100.0
Chief wage earner for household:		
Respondent.....	63.2	37.1
Spouse.....	23.9	59.7
Other.....	12.0	2.4
No response.....	.9	.8
Total.....	100.0	100.0
Employment status of chief wage earner:		
Employed.....	68.8	86.3
Out of work.....	14.0	1.6
Retired.....	13.9	9.8
No response.....	3.3	2.3
Total.....	100.0	100.0

Note: Entries may not add to totals due to rounding.

In addition to these substantial variable-variable differences in the two samples, an overall impression of greater homogeneity in demographic composition clearly emerges for the suburban-store group. For example, the large majority of the suburban-store respondents were female (83.7%), while the inner-city-store respondents were composed of roughly half males (42.9%) and half females (56.8%). Similarly, almost all of the chief wage earners for the suburban-store households were employed (86.3%), while a lesser majority (68.8%) enjoyed this status in the inner-city-store sample. Greater demographic homogeneity for the suburban-store sample is also evident for the variables of marital status, education, household size, and household income. Taken together, these findings suggest that many members of the suburban-store sample were married women whose households conform well with the popular notion of the affluent suburban family (i.e., a well-educated, young-to-middle-age wife, an employed husband in a high-paying position, and one or more children). These families would appear to differ from American suburban families at large by having higher levels of income and education. (About a third of the married respondents (31.8%) indicated that they were college graduates, and of the subsample of married respondents who reported household income figures, almost half (49.1%) specified a value at or above \$15,000.) In light of the fact that the Washington area employs an unusually large number of professional and technical personnel, many (if not most) of whom live in the neighboring Maryland and Virginia suburbs, these high levels of education and income are not surprising.

As we look next at the composition of the inner-city-store sample, we note that its greater demographic heterogeneity is not

unexpected. This sample contains large numbers of low-income households (of those who reported household income information, 35.0% are under \$5,000), and demographic heterogeneity has been a common finding for such households (Richards, 1969). Nevertheless, the fact that almost half of our respondents were male (all of whom had indicated that they were the principal shoppers for their households), does seem surprising. As a group, the inner-city-store males were younger (35.1% under 30), better educated (38.1% had attended college), and more often single (42.3%) than the inner-city-store females (for whom the corresponding values are 26.2%, 25.6%, and 19.7%, respectively). The proximity of the inner-city store to Howard University suggests that many of these men may have been single students or instructors either living in the local area, or living elsewhere but shopping at this store because of its convenient location.

Turning now to a consideration of the income levels for the inner-city store sample, we find that even though many respondents reported extremely low household incomes, the sample as a whole did not. Indeed, the incomes reported were substantially above the poverty levels one usually associates with inner-city ghetto populations. Of those respondents who reported household income, 42.1% indicated figures at or above \$7,500. Likewise, the fact that 30.9% of the respondents reported having attended college hardly suggests a low-income, inner-city population. It would appear then that the two stores selected by Safeway as the test vehicles for the dual-pricing experiments were frequented by customer populations which were considerably above the average for their geographical-area types (inner-city and suburbs) on the two variables of education and income.

TABLE 4.—RESPONDENT REACTION TO DUAL-PRICE LABELS IN THE TEST STORES

Dual-price-label questions	[Percent]	
	Inner-city store	Suburban store
In the past few months have you noticed price labels like these (sample labels) on the shelves of this store? <sup>1</sup>		
Yes.....	51.6	59.7
No.....	48.2	39.2
Uncertain.....	.1	1.1
Total.....	100.0	100.0
Have you ever used the price-per-pound-or-pint information on the new price labels while shopping? <sup>2</sup>		
Yes.....	48.1	63.0
No.....	51.9	36.8
Uncertain.....	0	.1
Total.....	100.0	100.0
Have you used the price-per-pound-or-pint information while shopping here in the last month? <sup>3</sup>		
Yes.....	91.9	91.2
No.....	7.1	7.0
Uncertain.....	1.0	1.8
Total.....	100.0	100.0
Has the price-per-pound-or-pint information been helpful to you while shopping? <sup>3</sup>		
Yes.....	83.8	91.2
No.....	12.1	1.8
Uncertain.....	3.5	7.0
No response.....	.5	0
Total.....	100.0	100.0

<sup>1</sup> N equals 798 for the inner-city store and 878 for the suburban store.

<sup>2</sup> N equal subset of respondents who reported they had noticed the dual-price labels (412 for the inner-city store and 524 for the suburban store).

<sup>3</sup> N equals subset of respondents who reported they had used the dual-price labels (198 for the inner-city store and 330 for the suburban store).

Note: Entries may not add to totals due to rounding.

Respondent Reaction to the Dual-Price Labels

Table 4 presents the respondents' answers to four interview questions dealing with the dual-price labels. In posing the first listed question, which asked if the respondent had noticed the labels, the interviewer presented the respondent with a card with five sample labels. (An earlier form of this question, which simply specified "new price labels", and did not utilize the sample-label card to illustrate what was meant, proved to be ambiguous to many respondents in the pre-testing phase of the study; thus it was decided to rephrase the question and employ sample labels in an effort to assure that the "new price labels" referred to were indeed the dual-price labels.) As shown in Table 4, about 50% of the inner-city-store respondents and 60% of the suburban-store respondents reported having noticed the labels.<sup>1</sup> These respondents were asked an additional question about the labels (Could you tell me about the new price labels—what they are and how they are to be used?), in an effort to determine whether they understood their contents and function. 60.8% of the inner-city-store subsample which reported having noticed the labels, and 79.7% of their suburban-store counterparts were able to articulate an answer to this question which accurately described the contents and/or function of the dual-price labels. The remainder of these subsamples either responded with inadequate descriptions (17.2% in the inner-city store and 6.0% in the suburban store) or simply reported that they did not know the answer (22.0% in the inner-city store and 14.2% in the suburban store). As a further, practical test of their understanding of the dual-price labels, these subsamples of respondents were asked the item price and price-per-pound for a sample label. Almost all of the respondents to whom these questions were posed answered correctly. (The percentages for the item-price question in the inner-city and suburban store were 93.7 and 93.6, respectively; for the price-per-pound question, the corresponding figures were 91.9 and 92.4.) Thus it would seem that most of the respondents who reported having noticed the dual-price labels had some understanding of their contents and/or intended use, and that in addition, they knew how to use (at least minimally) the label information.

Turning now to the second question in Table 4, which examines label usage by the two samples, we find that 48.1% of the inner-city-store subsample which reported having noticed the labels and 63.0% of the equivalent suburban-store subsample reported that they had used the dual-price labels. For the total store samples, the reported usage figures which result are 24.8% for the inner-city store and 37.6% for the suburban store.

As a check on the validity of the responses to the label-usage question, an analysis was

<sup>1</sup> The percentage values reported are subject to sampling error, the magnitude of which depends jointly on the value of the reported percentage and the number of cases in the sample. As a guide to the reader, it is of interest to note that a number of economic surveys have found that if the estimated value is between 35% and 65%, the sampling error (two standard errors) is about four percentage points when 1,000 cases are employed, and about six percentage points when 500 cases are employed; if the estimated value is 10% or 90%, the sampling error is about three percentage points and four percentage points for 1,000 and 500 cases, respectively. In each instance, the chances are 95 in 100 that the estimated value lies within an interval equal to the reported percentage plus or minus the associated number of percentage points.

lent suburban-store subsample reported users and non-users to the three questions relating to the understanding of label contents and function. If their reports are valid, one would expect respondents who claimed to have used the labels to have had a better understanding of these factors than respondents who claimed they had not. This expectation is supported by the data. A substantially higher proportion of reported users than non-users in the inner-city-store sample (78.5% versus 45.5%) and in the suburban-store sample (92.7% versus 61.5%) provided accurate descriptions of the contents and/or function of the dual-price labels. And similar findings obtained for the item-price question and the price-per-pound question, (99.0% of the reported label users in the suburban-store sample answered the item-price question correctly, and 98.5% of their number responded accurately to the price-per-pound question; the corresponding figures for reported non-users were 86.1% and 81.0%, respectively. For the reported label users in the inner-city-store sample, the equivalent figures are 97.0% and 97.0%, and for reported non-users, 86.5 and 81.8%.)

The question naturally arises as to why respondents who had noticed the labels had declined to use them. When this question was posed to the non-user subsamples for the two stores, a variety of reasons were offered. Of the substantive responses provided (i.e. other than "don't know" or no response), the most commonly mentioned

in the inner-city store (23.0%) was that the respondent knew what brands and sizes she wanted and thus had no need to use the labels. The suburban-store, non-user respondents also mentioned this reason with high frequency (36.5%), and a smaller number (11.3%) indicated that label usage was too time-consuming.

Since it was believed possible that the dual-price labels, like many newly implemented devices, might have a novelty attraction for many shoppers which would not be sustained over the long-term, a question was included in the interview schedule that looked at label usage over the just-completed one-month period. If one makes the seemingly reasonable assumption that most of the reported label-users had first used the labels prior to the last of the several months (seven in the inner-city store and five in the suburban store) during which the labels were in the stores, then reported usage in the last month would indicate that the labels had more than short-term novelty appeal. The findings for the third question in Table 4 suggest that this is indeed the case; over 90% of the label-users in each of the two stores reported that they had used the price labels during the previous month. Interestingly, several of the relatively few respondents who had not used the labels during this period reported that they had been out-of-town and thus unable to make use of them.

The last question in Table 4 asks if the price-per-measure information on the dual-price labels had been helpful to its users.

A substantial majority of each store's users answered in the affirmative, with a more uniformly positive reaction being expressed by the suburban-store respondents (91.2%, as compared to 83.8% for the inner-city-store label users). When those respondents who answered in the affirmative were asked how they had been aided by the label information, they most frequently cited the savings they had realized through its use (42.9% for the inner-city store and 37.6% for the suburban store). Also mentioned frequently was the greater ease of comparing prices (36.5% in the inner-city store and 21.5% in the suburban store). Finally, a factor reported by many suburban-store label users (21.8%) but by few inner-city store users (2.9%) was the time savings realized by having the price-per-measure prices computed by the store rather than in one's head. Respondent Utilization of the Dual-Price Labels in Shopping for Individual Products.

Tables 5 through 10 present the respondents' answers to the questions on the second page of the interview schedule, which deal with label usage for the 16 test products and two control products. We look first at respondent utilization of the dual-price labels for comparing the costs of packages of different sizes in the two test stores. Next we examine the use made of the labels in comparing the costs of different brands. In both analyses, the reported figures for the test products are adjusted for possible response biases by subtracting the corresponding figures for the two control products.

TABLE 5.—INNER-CITY-STORE RESPONDENT USE OF LABELS FOR COMPARING COSTS OF DIFFERENT PACKAGE SIZES OF VARIOUS PRODUCTS

Product type	Number <sup>1</sup>	Percent		Product type	Number <sup>1</sup>	Percent	
		Respondents who reported having used labels to compare costs of different sizes	Respondents who reported having changed to a larger or smaller size as a result of using the labels			Respondents who reported having used labels to compare costs of different sizes	Respondents who reported having changed to a larger or smaller size as a result of using the labels
		Larger	Smaller			Larger	Smaller
<b>Test product:</b>				<b>Test product;—Continued</b>			
Canned peaches.....	43	58.1	23.3	Powdered detergent.....	82	59.8	35.4
Canned peas.....	42	59.5	19.0	Soft drinks (cola).....	61	29.5	6.6
Catsup.....	69	58.0	23.2	Solid shortening.....	43	30.2	2.3
Corn flakes.....	49	40.8	10.2	Tomato juice.....	23	47.8	26.1
Family flour.....	67	43.3	19.4	<b>Control product:</b>			
Frozen orange juice.....	25	68.0	36.0	Potato chips.....	91	16.5	7.7
Granulated sugar.....	71	32.4	8.5	Toothpaste.....	108	14.8	3.7
Instant coffee.....	53	66.0	32.1	<b>Weighted mean for test products.....</b>		46.1	19.3
Liquid bleach.....	56	33.9	10.7	<b>Weighted mean for control products.....</b>		15.6	5.5
Liquid detergent.....	69	40.6	31.9	<b>Difference.....</b>		+30.5	+13.8
Mayonnaise.....	58	41.4	13.8				3.9
Peanut butter.....	39	41.0	10.3				1.0
							+2.9

<sup>1</sup> The number of label users who reported that they buy the product at the test store.

TABLE 6.—SUBURBAN-STORE RESPONDENT USE OF LABELS FOR COMPARING COSTS OF DIFFERENT PACKAGE SIZES OF VARIOUS PRODUCTS

Product type	Number <sup>1</sup>	Percent		Product type	Number <sup>1</sup>	Percent	
		Respondents who reported having used labels to compare costs of different sizes	Respondents who reported having changed to a larger or smaller size as a result of using the labels			Respondents who reported having used labels to compare costs of different sizes	Respondents who reported having changed to a larger or smaller size as a result of using the labels
		Larger	Smaller			Larger	Smaller
<b>Test product:</b>				<b>Test product;—Continued</b>			
Canned peaches.....	89	49.4	19.1	Powdered detergent.....	129	55.8	30.2
Canned peas.....	73	37.0	9.6	Soft drinks (cola).....	108	30.6	14.8
Catsup.....	139	52.5	26.6	Solid shortening.....	78	51.3	20.5
Corn flakes.....	51	37.3	15.7	Tomato juice.....	61	50.8	27.9
Family flour.....	113	43.4	16.8	<b>Control product:</b>			
Frozen orange juice.....	104	54.8	24.0	Potato chips.....	141	34.8	19.1
Granulated sugar.....	133	39.8	12.8	Toothpaste.....	123	48.8	25.2
Instant coffee.....	89	52.8	24.7	<b>Weighted mean for test products.....</b>		47.2	23.2
Liquid bleach.....	89	37.1	24.7	<b>Weighted mean for control products.....</b>		41.3	22.0
Liquid detergent.....	122	54.1	30.3	<b>Difference.....</b>		+5.9	+1.2
Mayonnaise.....	133	48.9	27.8				1.4
Peanut butter.....	103	51.5	35.0				1.6
							1.3
							1.5
							—2

<sup>1</sup> The number of label users who reported that they buy the product at the test store.

Inspection of Tables 5 and 6 reveals that, on the average (weighted by the number of respondents for each product), almost half of the respondent-users who purchased a test product in the test stores reported having used the dual-price labels for comparing costs of different size packages of the product (46.1% in the inner-city store and 47.2% in the suburban store). When these figures were corrected for control production responses, a substantial reduction resulted for the suburban store, but not for the inner-city store (new values of 5.9% and 30.5% respectively). For the inner-city-store sample, all 16 test products yielded higher usage values than the average of the two control products (15.6%), while for the suburban-store sample, only 11 of the 16 exceeded the control product average (41.3%).<sup>2</sup> Products with

high scores on reported label usage for size comparisons in the two stores included catsup, frozen orange juice, instant coffee, and powdered detergent; products scoring low in both stores included granulated sugar, liquid bleach and soft drinks.

product average (22.0%). Products for which small-to-large switches were reported frequently by both samples included liquid detergent, powdered detergent, and instant coffee; products with few such reports in the two stores included corn flakes, granulated sugar, and soft drinks.

As we turn to an examination of respondent utilization of the dual-price labels for comparing the costs of different brands, we find a sizable difference in the reports of the two samples (Tables 7 and 8). On the average, a fifth of the respondent-users who purchased a test product in the inner-city store reported having used the labels for brand comparisons, while the corresponding figure for the suburban store (38%) was almost twice as high. However, as was true for the size comparisons, the control product correction was considerably greater for the suburban-store sample, and thus the adjustment for this sample yielded a far smaller value (11.5%), which is several points below the inner-city-store adjusted value of 17.0%. Nevertheless, for the suburban-store sample, almost all of the test products (14 of 16) yielded higher usage values than the control product average; for the inner-city-store sample, all 16 test product values were above their control product average. Products which scored high on reported label usage for brand comparisons by the two samples included canned peaches, catsup, and frozen orange juice; one product, corn flakes, scored low in both samples.

TABLE 7.—INNER-CITY-STORE RESPONDENT USE OF LABELS FOR COMPARING COSTS OF DIFFERENT BRANDS OF VARIOUS PRODUCTS

Product type	Number <sup>1</sup>	Respondents who reported having used labels to compare costs of different brands (percent)	Respondents who reported having changed to a new brand as a result of using labels (percent)
<b>Test product:</b>			
Canned peaches.....	43	34.9	11.6
Canned peas.....	42	26.2	14.3
Catsup.....	69	34.8	21.7
Corn flakes.....	49	8.2	2.0
Family flour.....	67	13.4	3.0
Frozen orange juice.....	25	40.0	20.0
Granulated sugar.....	71	9.9	5.6
Instant coffee.....	53	28.3	17.0
Liquid bleach.....	56	12.5	12.5
Liquid detergent.....	69	10.1	5.8
Mayonnaise.....	58	19.0	10.3
Peanut butter.....	39	17.9	5.1
Powdered detergent.....	82	23.2	9.8
Soft drinks (cola).....	61	19.7	13.1
Solid shortening.....	43	14.0	7.0
Tomato Juice.....	23	26.1	21.7
<b>Control product:</b>			
Potato chips.....	91	6.6	1.1
Toothpaste.....	108	0	0
Weighted mean for test products.....		20.0	10.6
Weighted mean for control products.....		3.0	.5
Difference.....		+17.0	+10.1

<sup>1</sup> The number of label users who reported that they buy the product at the test store.

<sup>2</sup> Statistical tests of significance were not conducted for any of the response differences between test and control products. Since the groups which purchased each product overlapped in membership, their responses did not conform to either of the two standard statistical models for such comparisons (i.e., one for completely independent samples and one for completely related samples).

TABLE 8.—SUBURBAN-STORE RESPONDENT USE OF LABELS FOR COMPARING COSTS OF DIFFERENT BRANDS OF VARIOUS PRODUCTS

Product type	Number <sup>1</sup>	Respondents who reported having used labels to compare costs of different brands (percent)	Respondents who reported having changed to a new brand as a result of using labels (percent)
<b>Test product:</b>			
Canned peaches.....	89	40.4	19.1
Canned peas.....	73	41.1	19.1
Catsup.....	139	47.5	20.9
Corn flakes.....	51	21.6	5.9
Family flour.....	113	40.7	11.5
Frozen orange juice.....	104	47.1	24.0
Granulated sugar.....	133	36.8	18.0
Instant coffee.....	89	38.2	20.2
Liquid bleach.....	89	30.2	11.2
Liquid detergent.....	122	37.7	17.2
Mayonnaise.....	133	37.6	10.5
Peanut butter.....	103	37.9	16.5
Powdered detergent.....	129	42.6	17.1
Soft drinks (cola).....	108	16.7	8.3
Solid shortening.....	78	39.7	12.8
Tomato juice.....	61	44.3	16.4
<b>Control product:</b>			
Potato chips.....	141	23.4	7.1
Toothpaste.....	123	30.1	7.3
Weighted mean for test products.....		38.0	15.9
Weighted mean for control products.....		26.5	7.2
Difference.....		+11.5	+8.7

<sup>1</sup> The number of label users who reported that they buy the product at the test store.

Looking next at the actual switches in package size reported by respondents as a result of label usage, we find that, on the average, about a fifth of the respondent-users who purchased a test product (19.3% in the inner-city store and 23.2% in the suburban store) reported having changed to a larger size, while a far lesser proportion (less than 5% in each store) indicated they had switched to a smaller size. Once again we find that the control-product correction more markedly affected the suburban-store figures, yielding for the small-to-large switches, a percentage value of 1.2, which is substantially below the corresponding figure of 13.8 for the inner-city store. For the inner-city store sample, 15 of the 16 test products yielded a higher proportion of small-to-large switches than the average of the control products (5.5%); for the suburban-store sample, only 9 of the 16 exceeded the control

The last column in Tables 7 and 8 lists the percentage of purchasers of each product who reported that they had changed brands as a result of using the dual-price labels. The adjusted values reported by the two samples were around 10% (10.1 for the inner-city store and 8.7 for the suburban store) and with one exception (corn flakes in the suburban store), all of the test products yielded higher percentage values than their store's control product average. Once again, catsup and frozen orange juice scored high in both samples, and corn flakes scored low.

Those respondents who reported brand changes resulting from label usage were asked to identify both the new and the old brand in each instance. These responses were coded into store and non-store categories and frequency counts made for the four possible sequences of brand change. The results of this analysis are presented in Tables 9 and 10. They reveal that few brand changes were reported by either sample, but of those reported, the non-store-to-store category was most frequently marked (an adjusted value of approximately 5% for each of the two stores). Products exhibiting a high frequency of response for this category included catsup, liquid bleach, and tomato juice; once again, corn flakes was well below the test product average for each sample.

TABLE 9.—BRAND CHANGES REPORTED BY INNER-CITY-STORE RESPONDENTS

Product type	Number <sup>1</sup>	Nature of brand change (percent)			
		Store to store	Store to nonstore	Nonstore to store	Nonstore to nonstore
<b>Test product:</b>					
Canned peaches.....	43	2.3	2.3	0	0
Canned peas.....	42	0	4.8	4.8	4.8
Catsup.....	69	0	2.9	13.0	4.3
Corn flakes.....	49	0	0	0	0
Family flour.....	67	0	0	0	1.5
Frozen orange juice.....	25	8.0	4.0	4.0	0
Granulated sugar.....	71	0	0	5.6	0
Instant coffee.....	53	1.9	0	7.5	7.5
Liquid bleach.....	56	0	0	12.5	0
Liquid detergent.....	69	0	0	0	1.4
Mayonnaise.....	58	0	3.4	1.7	3.4
Peanut butter.....	39	0	0	0	2.6
<b>Control product:</b>					
Potato chips.....	91	0	0	0	1.1
Toothpaste.....	108	0	0	0	0
Weighted mean for test products.....		.5	1.5	4.7	2.4
Weighted mean for control products.....		0	0	0	.5
Difference.....		+1.5	+1.5	+4.7	+1.9

<sup>1</sup> The number of label users who reported that they buy the product at the test store.

TABLE 10.—BRAND CHANGES REPORTED BY SUBURBAN-STORE RESPONDENTS

Product type	Nature of brand change (percent)				Number <sup>1</sup>	Nature of brand change (percent)				
	Store to store	Store to nonstore	Nonstore to store	Nonstore to nonstore		Store to store	Store to nonstore	Nonstore to store	Nonstore to nonstore	
Test product:										
Canned peaches.....	89	0	0	11.2	0					
Canned peas.....	73	0	1.4	9.6	4.1					
Catsup.....	139	0.7	0	10.8	3.6					
Corn flakes.....	51	0	0	2.0	0					
Family flour.....	113	0	0	3.5	0.9					
Frozen orange juice.....	104	2.9	1.0	8.7	0					
Granulated sugar.....	133	0	0.8	15.8	0					
Instant coffee.....	89	2.2	0	3.4	6.7					
Liquid bleach.....	89	1.1	0	0.0	0					
Liquid detergent.....	122	0	0	5.7	5.7					
Mayonnaise.....	133	0	0.8	6.0	0					
Peanut butter.....	103	1.0	1.0	8.7	1.9					
Powdered detergent.....	129	0.8	0	5.4	7.8					
Soft drinks (cola).....	108	0	0	5.6	0					
Solid shortening.....	78	0	0	5.1	3.8					
Tomato juice.....	61	0	0	11.5	1.6					
Control product:										
Potato chips.....	141	0	0	2.1	2.8					
Toothpaste.....	123	0	0	2.4	4.1					
Weighted mean for test products.....		.6	.3	7.8	2.4					
Weighted mean for control products.....		0	0	2.3	3.4					
Difference.....		+0.6	+0.3	+5.5	-1.0					

<sup>1</sup> The number of label users who reported that they buy the product at the test store.

Summing up the results of these several analyses, we find that a substantial number of dual-price-label users reported having used the labels to compare the costs of different-sized packages for the test products which they purchased, with the average reported value for a test product being just below 50%. Of the size changes reported, small-to-large dominated large-to-small in both stores. When these findings were adjusted by the obtained values for the two control products, a sizable reduction in the proportion of users and switchers was the result for the two stores, with a much larger decrement being manifested for the suburban-store sample. Nonetheless, on all comparisons made, most of the test products for a store scored higher than the store's control product average.

Label usage to compare the costs of product brands was different for the two stores with the suburban store reporting almost twice as much usage (38%) as the inner-city store (20%). However, when these findings were adjusted, the larger correction for the suburban-store sample reversed their order, yielding values between 10% and 20% for each sample. When respondents were asked if actual changes in brand had resulted from label usage, their responses (adjusted) suggest that such changes were made by about 10% of the purchasers of a test product, and finally, that about half of these switches were made from a non-store brand to a store brand.

The Relationships Between Demographic Variables and Respondent Utilization of the Dual-Price-Labels

Two analytical tools were employed in determining how the demographic variables related to label usage. The first, Multiple Classification Analysis (MCA), is a multivariate statistical technique developed by Andrews, Morgan, and Sonquist (1967) for identifying the relationships between several predictor variables and a dependent variable. MCA provides the researcher with informa-

tion concerning how each predictor variable relates to the dependent variable before and after adjusting for the effects of other predictors. In addition, it indicates the magnitude of the relationship between the total set of predictors and the dependent variable.

The second technique, Automatic Interaction Detector (AID), was developed by Sonquist and Morgan (1964) to determine how a set of predictor variables interact to account for variability on a dependent variable. The technique divides a sample, through a series of binary splits, into a mutually exclusive and exhaustive set of groups. At each step in the procedure, a group is split on one of the predictor variables. The predictor to be split, as well as the actual split itself, is chosen to maximize reduction in the variability (total sum of squares) for the dependent variable. What results from this procedure is a tree-diagram which depicts the series of splits made with respect to the various classes of the predictor variables.

For our data, the eight demographic variables listed in Tables 11 and 12 were used as the predictor variables and label usage served as the dependent variable in both the MCA and AID analyses. Several adjustments to our data were required, however, before applying these techniques. AID calls for a small number of classes for certain kinds of predictor variables, and as indicated in Tables 11 and 12, we have combined adjoining classes in several instances (age, education, and marital status) to meet this requirement. An additional adjustment concerns the "no responses", which were treated differently for each demographic variable, depending on their number. If many respondents did not provide information for a variable, they were grouped into a common class (no response) which was included in the AID and MCA analyses. If only a few failed to provide information, they were not included in either analysis. Also not included were two respondents in the suburban-store sample who reported that they were uncer-

tain as to whether or not they had used the dual-price labels. As a result of these various adjustments, 23 cases were dropped from the inner-city-store sample and 20 from the suburban-store sample.

Predictor variables with a natural rank ordering were constrained to that ordering in the binary splitting process, except for household income and household size. In the case of income, the addition of the large class of non-responders undid the rank ordering for this predictor; for household size, the presence of an inverted U-shaped relationship between this variable and label usage (especially evident for the inner-city-store sample) prompted up to leave this variable unconstrained.

The MCA Analyses. Although the AID analyses for the two samples were conducted prior to the MCA analyses (to check on the appropriateness of the MCA model for our data), we present the results of the latter first to give the reader a summary picture of the contribution of the demographic variables (individually and jointly) in accounting for respondent usage of the dual-price labels (Tables 11 and 12). Next we examine the series of splits which constitute the AID analyses for the inner-city and suburban-store samples (Charts 1 and 2), and finally we present tabular summaries of the results of these two AID analyses (Tables 13 and 14).

As the results of the MCA analysis for the inner-city-store sample indicate (Table 11), the variables of age, education, and household income played leading roles in accounting for label usage by these respondents. The eta-square values, which indicate the proportion of the total sum of squares explainable by each demographic variable, are .04 or larger for these three predictors and all three values are statistically significant. Their effect is evidenced by the label-user percentage values listed in the second column of Table 11 which reveal a greater spread across the classes of these three variables than the other five.

TABLE 11.—RELATIONSHIPS BETWEEN DEMOGRAPHIC VARIABLES AND LABEL USAGE FOR INNER-CITY-STORE RESPONDENTS

Variable	Number	Label users (percent)	Label users adjusted (percent)	Eta square	Beta square
Sex.....				0.004	0.006
Male.....	333	21.6	20.8		
Female.....	442	27.1	27.7		
Age.....				0.041	0.019
Under 30.....	233	35.6	32.5		
30 to 39.....	147	25.8	23.6		
40 to 49.....	150	23.3	23.9		
50 to 59.....	97	20.6	23.3		
60 to 69.....	92	13.0	17.0		
70 or above.....	56	7.1	13.0		
Marital status.....				0.023	0.004
Married.....	381	27.6	24.7		
Single.....	228	28.9	27.8		
Widowed.....	73	8.2	18.5		
Other <sup>2</sup> .....	93	16.1	22.6		
Education.....				0.059	0.021
0 to 8 years.....	148	8.1	15.6		
9 to 11 years.....	166	21.7	22.5		
High school graduate.....	221	24.4	23.7		
Some college.....	142	34.5	31.4		
College graduate.....	98	41.8	35.1		

See footnotes at end of table.

Variable	Number	Label users (percent)	Label users adjusted (percent)	Eta square	Beta square	Variable	Number	Label users (percent)	Label users adjusted (percent)	Eta square	Beta square
Household size.....				0.013	0.012	\$15,000 or more.....	59	49.1	40.3		
1.....	170	22.9	23.8			No response.....	132	18.2	20.0		
2.....	183	30.0	30.5			Chief wage earner.....				.021	.009
3.....	116	22.4	22.1			Respondent.....	494	20.6	22.4		
4.....	96	26.0	21.4			Spouse.....	186	35.5	32.1		
5.....	78	32.0	31.7			Other.....	95	25.3	22.5		
6 or more.....	132	16.7	18.6			Employment status of chief wage earner.....				.010	.001
Household income.....				.049	.024	Employed.....	538	27.3	23.4		
Under \$3,000.....	125	12.8	16.2			Out of work.....	107	19.6	24.3		
\$3,000 to \$4,999.....	101	18.8	21.8			Retired.....	106	16.0	31.7		
\$5,000 to \$7,999.....	147	32.0	31.9			No response.....	24	29.2	27.9		
\$8,000 to \$9,999.....	147	32.0	31.9								
\$10,000 to \$14,999.....	211	27.0	25.0								

r<sup>2</sup> p < .05.  
 2 p < .01.

<sup>3</sup> Separated or divorced.

The predictive ability of a variable is usually reduced after a statistical adjustment is made for the effects of all other predictors; these adjusted values (beta squares) are presented in the last column of Table 11. They reveal lesser, but nonetheless considerable contributions for the age, education, and household income variables, with each value being equal to or greater than .019 (each p < .01). They also reveal a greater relative contribution for the household size variable (.012), but one which is still not statistically significant (p > .05). Finally, it should be noted that the value of the squared multiple correlation coefficient, which specifies the

proportion of variance in the dependent variable explained by the total set of eight predictor variables (after adjusting for degrees of freedom), was quite low (for the inner-city-store sample (R<sup>2</sup> = .10; p < .01). This result is not surprising, nor are the generally low eta- and beta-square values, since our choice of predictor variables was constrained to the subset for which information would be readily available in a brief in-store interview. Better candidates (variables with greater predictive effectiveness) undoubtedly exist outside this subset; they should be identified and explored in future investigations of dual-price-label usage.

As we continue now with an examination of the results of the MCA analysis for the suburban-store sample (Table 12), we note that, as was the case with the inner-city-store sample, the variables of age and education play relatively important roles in accounting for respondent utilization of the dual-price labels (eta-square values of .034 and .035, respectively; each p < .01). Other variables which help to explain label utilization are the size of the respondent's household, as well as the employment status of its chief wage earner (eta-square values of .025 and .028, respectively; each p < .01).

TABLE 12.—RELATIONSHIPS BETWEEN DEMOGRAPHIC VARIABLES AND LABEL USAGE FOR SUBURBAN-STORE RESPONDENTS

Variable	Number	Label users (percent)	Label users adjusted (percent)	Eta square	Beta square	Variable	Number	Label users (percent)	Label users adjusted (percent)	Eta square	Beta square
Sex.....				0.000	0.002	2.....	276	32.6	33.5		
Male.....	137	37.2	32.5			3.....	170	37.6	36.3		
Female.....	721	38.0	38.9			4.....	176	43.7	42.7		
Age.....				.034	.010	5.....	78	51.3	51.3		
Under 30.....	176	44.9	56.6			6 or more.....	59	49.1	50.7		
30 to 39.....	162	48.1	57.1			Household income.....				.017	.003
40 to 49.....	212	36.3	67.7			Under \$7,500.....	103	26.2	37.7		
50 to 59.....	168	36.3	61.7			\$7,500 to \$9,999.....	112	39.3	36.7		
60 to 69.....	45	25.3	66.0			\$10,000 to \$14,999.....	209	43.5	41.9		
70 or above.....	95	13.3	69.1			\$15,000 to \$24,999.....	206	40.8	37.7		
Marital status.....				.004	.004	\$25,000 or more.....	100	42.0	37.8		
Married.....	670	39.5	38.2			No response.....	128	28.9	32.8		
Single.....	85	32.9	33.8			Chief wage earner.....				.001	.007
Widowed.....	63	30.2	45.0			Respondent.....	312	36.8	43.0		
Other <sup>2</sup> .....	40	32.5	29.5			Spouse.....	516	38.9	35.1		
Education.....				.035	.030	Other.....	21	28.6	28.3		
0 to 8 years.....	30	13.3	21.9			Employment status of chief wage earner.....				.028	.011
9 to 11 years.....	51	13.7	14.2			Employed.....	744	40.5	39.2		
High school graduate.....	281	34.2	33.4			Out of work.....	14	50.0	52.1		
Some college.....	231	43.3	42.7			Retired.....	83	13.2	23.5		
College graduate.....	265	44.5	44.8			No response.....	17	64.7	63.5		
Household size.....				.025	.023						
1.....	99	25.2	26.1								

<sup>1</sup> p < .01.

<sup>2</sup> Separated or divorced.

<sup>3</sup> p < .05.

When statistical adjustments are made for the effects of other variables, household size and education continue to figure prominently (beta-square values of .023 and .030, respectively; each p < .01), with the remaining six variables assuming considerably lesser roles. For the set of predictors as a whole, we find an R<sup>2</sup> value of .06 (p < .01) indicating that they account for 6% of the variance on the label-usage variable.

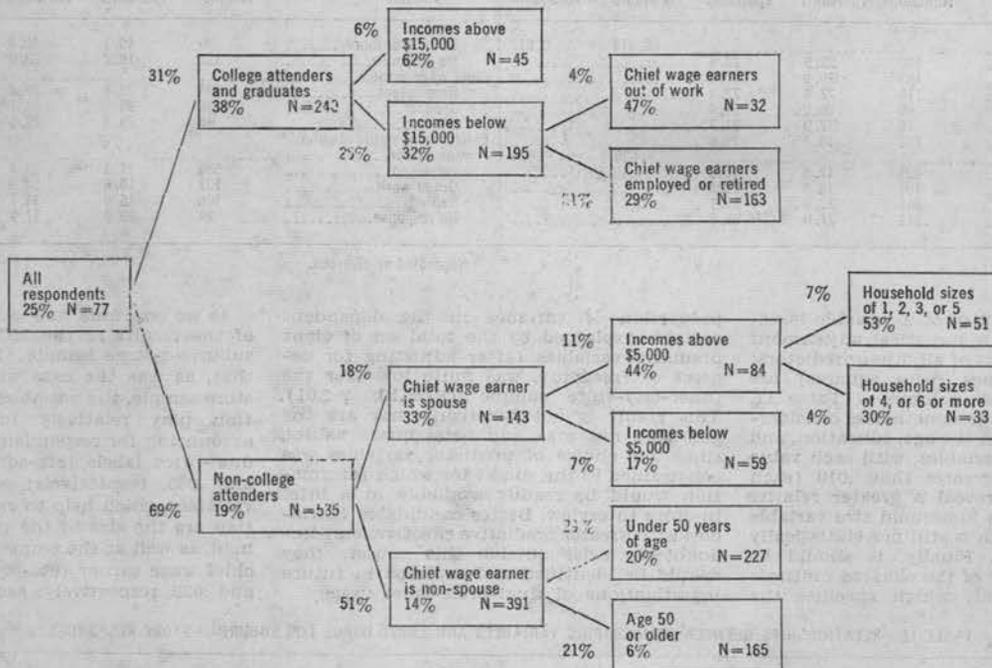
Taken together, the two MCA analyses point to the relative importance of education (both in unadjusted and adjusted forms) in accounting for label usage by the two samples. It would appear that an understanding of the label concept and function was more readily communicated to (and perhaps ap-

preciated by) the more highly educated members of the two samples. For the suburban-store sample, the variable of household size also assumed a significant role in accounting for respondent utilization of the dual-price labels, perhaps indicating that the greater savings potential for large households was more evident to the suburban shopper than to her less-educated inner-city counterpart. Finally, the variables of age and household income, for reasons that are not altogether clear, were important explanatory variables for the inner-city-store sample, but not for the suburban-store sample. For the latter variable, a possible explanation is that for the many elementary and high-school dropouts found in the inner-city-

store sample, household income may substitute for (or supplement) formal education as a measure of their ability to understand the dual-price labels.

*The AID Analyses.* The results of the AID analysis for the inner-city-store sample are depicted in Chart 1. As inspection of the chart reveals, the first split of the total sample was on education, with the 240 college attenders and graduates constituting one group and the remaining 535 non-college attenders constituting the other. The powerful effect of education as a predictor is evidenced by the finding that the percentage of reported label users for the former group is twice that of the latter (38% versus 19%).

CHART 1  
AID Analysis of Label Usage by Inner-City-Store Respondents



Somewhat surprisingly (from the standpoint of financial need), the next binary split of the college-educated group revealed that a larger proportion of respondents from higher-income households (above \$15,000) reported having used the labels than was the case for those from lower-income households (62% versus 32%). However, this may be accounted for in part by the composition of the higher-income group. Compared to their counterparts in the low-income, college-educated group, they contained more college graduates (71% versus 34%) and more respondents from large households (24% reported five or more household occupants for the higher-income group as compared to 11% for the lower-income group). Thus it would seem that the higher-income group was more capable of understanding the dual-price labels and was in a position to benefit more from their use. The next split for the college-educated, lower-income group was made with respect to the employment status of the chief wage earner. As indicated in Chart 1, the group of respondents from households for which the chief wage earner was out of work, reported a substantially higher proportion of users than their counterparts with employed or retired chief wage earners (47% versus 29%) perhaps reflecting the severe financial strains resulting from a temporary loss of what can be presumed to be a relatively high income for this college-educated group.

Turning next to the group of non-college attenders, we find that they split on the variable of chief wage earner. A third of the respondents who reported a spouse as the chief wage earner also reported having used the dual-price labels, while a far smaller proportion of those who identified themselves or some other (non-spouse) household member as the chief wage earner, reported using the labels (14%). Why a spouse as chief wage earner should make for greater label usage for this lesser-educated group is not immediately clear although some hints at an answer may be provided by a closer look at their composition. This group of respondents is almost exclusively female (92%) while their companion group in the

split (non-college attenders from households without a spouse as the chief wage earner), is half male and half female. It would seem then that the spouse-as-chief-wage-earner group conforms well to the middle-class family concept (husband employed and wife at home carrying out domestic duties which would include grocery shopping for the family). The fact that these respondents are family shoppers may account for their above-average use of the dual-price labels.

The next two splits involving this group indicate that more than half (53%) of the higher-income respondents (above \$5,000) from small and middle-sized households reported that they had used the labels. Although it is not altogether clear why this group should contain so many label users, it may be that their relatively high educational level is at least partially responsible. In particular, 53% of this group were high school graduates, which is considerably above the 34% figure for the group with incomes under \$5,000.

The final split of interest in Chart 1 is for the non-college attender group from households with a non-spouse as chief wage earner. This split, which was made on the age variable, revealed that relatively few respondents at or above 50 used the labels (6%). This low response seems attributable (at least in part) to the extreme position of these older respondents on the variables of education and household size, i.e., most of them had not completed eight grades of school, and an even larger majority lived alone or with one other person.

A summary of the group characteristics resulting from the AID analysis of the inner-city-store sample is presented in Table 13. This table lists the groups in descending order of label usage.

Turning now to an examination of the AID analyses for the suburban-store sample, we find in Chart 2 that the first split separated the respondents from households with a retired chief wage earner from all the others. Only a small minority of these 83 respondents reported having used the labels, perhaps reflecting their advanced age, lower education, and the small households which

TABLE 13.—SUMMARY OF FINAL GROUP CHARACTERISTICS FOR AID ANALYSIS OF LABEL USAGE BY INNER-CITY-STORE RESPONDENTS

Group characteristics	Group	Number	Label users (percent)
College attenders and graduates from households with incomes over \$15,000.....	1	45	62
Noncollege attenders from households with either 1, 2, 3, or 5 occupants, a respondent's spouse as chief wage earner, and an income above \$5,000.....	2	51	53
College attenders and graduates from households with incomes below \$15,000 and a chief wage earner who is out of work.....	3	32	47
Noncollege attenders from households with either 4, or 6 or more occupants, a respondent's spouse as chief wage earner and an income above \$5,000.....	4	33	30
College attenders and graduates from households with incomes below \$15,000 and a chief wage earner who is employed or retired.....	5	163	29
Noncollege attenders under age 50 from households in which the respondent is not married or, if married, the respondent's spouse is not the chief wage earner.....	6	227	20
Noncollege attenders from households with incomes below \$5,000 and a respondent's spouse as chief wage earner.....	7	59	17
Noncollege attenders, age 50 or older, from households in which the respondent is not married or, if married, the respondent's spouse is not the chief wage earner.....	8	165	6

they represent. For the remaining 90% of the sample, the next split was on education, a variable which played a similarly influential role in the inner-city-store AID analysis. In particular, we find that relatively few of the 65 respondents who had not completed high school reported that they had used the dual-price labels (17%). This group was subsequently split on household size, but in a way which appears to reflect the chance fluctuations which often characterize small subsamples. Specifically, for

some inexplicable reason, not one of the respondents from households with one, three, or five members reported having used the labels, and as a result, the AID procedure isolated these non-user respondents from the other respondents (from households with two, four, or six or more members). Had the several levels of household size been constrained to a rank ordering, this split would not have occurred.

Having explored the two "twigs" of the AID tree (the 83 respondents from households with retired chief wage earners, and the 65 elementary and high-school drop-outs), let us look next at the "trunk" which is left (the 710 remaining respondents). Household size, the AID-selected variable in

the next split for this group, separated them into a large-household subgroup, about half of whom were users, and a small-household subgroup about a third of whom were users. The final split for the small-household respondents is on the age variable with fewer respondents 40 or older having reported using the labels than those under 40 (30% versus 45%). The under-40 group besides being younger, contained fewer non-college-educated respondents than the 40-or-older group (26% versus 35%).

The final split for the larger-household respondents was on the variable of education. Here we find slightly more than half (53%) of the college attenders and graduates reporting they had used the labels, and less

than half (38%) of the non-college attenders indicating that they had done so.

To sum up the results of the two AID analyses, they both reveal influential roles for age, education, household size, and employment status in accounting for label utilization by the respondents. Also disclosed are the effects of household income and chief wage earner for the inner-city-store sample.

#### DISCUSSION

In examining the results of any behavioral research study, it is well to ask about possible sources of invalidity. Often, in doing so, a distinction is made between internal and external validity. The first is concerned with whether a study result can be explained away as an artifact of measurement.

CHART 2

AID Analysis of Label Usage by Suburban-Store Respondents

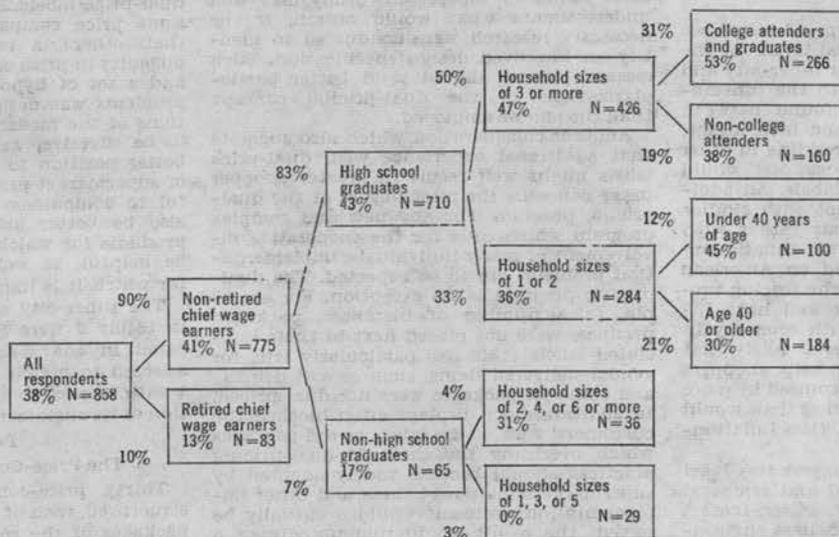


TABLE 14.—SUMMARY OF FINAL GROUP CHARACTERISTICS FOR AID ANALYSIS OF LABEL USAGE BY SUBURBAN-STORE RESPONDENTS

Group characteristics	Group Number (percent)	Label users
College attenders and graduates from households with 3 or more occupants and a nonretired chief wage earner.....	1 266 53	53
High school graduates, college attenders, and college graduates, under 40, from households with 1 or 2 occupants and a nonretired chief wage earner.....	2 100 45	45
High school graduates from households with 3 or more occupants and a nonretired chief wage earner.....	3 160 38	38
Nonhigh school graduates from households with 2, 4, or 6, or more occupants and a nonretired chief wage earner.....	4 36 31	31
High school graduates, college attenders, and college graduates, age 40 or older, from households with 1 or 2 occupants and a nonretired chief wage earner.....	5 184 30	30
Respondents from households with a retired chief wage earner.....	6 83 13	13
Nonhigh school graduates from households with 1, 3, or 5 occupants and a nonretired chief wage earner.....	7 29 0	0

The second is concerned with the question of generalization of the findings of the study beyond the study setting. Let us examine our findings with respect to each of these criteria.

#### The Internal Validity of the Findings

Field studies are often plagued with problems of control and this one is no exception. However, above and beyond these customary

control problems, the present study was affected by certain others which resulted from the fact that the study was designed after the dual-pricing program was initiated in the two test stores. As a result of this design delay, no opportunity was presented to select test stores to represent their geographical areas or to conduct before and after sales audits for the various sizes and brands of the test product packages. The store movement data available for these items (which provided a historical record of the quantity ordered for each store), was a poor substitute, since it did not indicate when these packages were sold or at what price. Furthermore, the quantity ordered reflects other factors besides customer purchases, such as individual differences in judgment for the supermarket clerks who place the orders. (What one may consider a sufficient inventory or an adequately stocked shelf, another may not.) An additional problem arose with the occurrence of a trucker's strike in the summer of 1969—a strike which seriously depleted store inventories at the time and prompted an unusual upsurge of orders the following fall.

Even had sales audit data been available, we would still not know whether an observed change in purchase patterns necessarily resulted from dual-pricing influences. As the *Progressive Grocer Colonial Study* (1964), has demonstrated, a number of store-controlled factors may well affect product sales. Included here are the use of product spotter signs and manager's specials; as well as the shelf space allocated to a product, and the fullness with which its packages are stocked.

In an attempt to deal with the potential uncertainties in our data resulting from these and other threats to internal validity, a number of control questions were included

in the interview schedule. For example, questions were asked to determine if respondents who reported that they had used the dual-price labels were better informed about their contents and functions than were respondents who reported that they had not. In addition, questions relating to two control products were incorporated in the interview schedule to provide a base from which to compare the results for the test product questions.

By and large, the responses to these control questions served to support the responses to their associated test questions (e.g., reported users of the labels were more knowledgeable about them than reported non-users). The one exception concerns the label usage reported for individual products by the suburban-store respondents. For reasons which are not apparent, many of these respondents reported having used the labels in shopping for the control products as well as the test products. It may be that many of these respondents used the labels in shopping for such a wide variety of products that when a control product question was asked, they answered in the affirmative, thinking that they had probably used the labels for this product as well. Or it may be that, for many respondents, actual usage was minimal, but rather than disclose this to an interviewer, they exaggerated their reports in order to impress her with their economical shopping habits. Interestingly, one explanation assumes high label usage, and the other, low usage.

All this is not to say that the control product corrections employed in the suburban-store data analysis resulted in a downward adjustment of the test product responses to a level of zero. Indeed, it will be recalled that most of the test product scores

were above the control product average for each of the suburban-store data comparisons we examined. Nevertheless, the fact remains that the obtained difference between test and control product averages for the suburban-store sample was markedly lower than that found for the inner-city-store sample. As a result, the internal validity of these test product results is open to question.

#### The External Validity of the Findings

What can we say about the external validity of the results? Is it likely that they generalize to other supermarkets, to other customer populations, and to future time periods? Consideration of some of the relevant factors present in the study may cast some light on these questions. Some of these factors suggest more label usage by the respondents than could reasonably be expected of shoppers in other (non-test store) settings, while other factors suggest just the opposite conclusion.

As we examine the first type of factor, we find that the high educational levels for the two samples (relative to other inner-city and suburban areas) together with the substantial statistical associations found between the variables of education and label usage, suggest that fewer shoppers residing in other inner-city and suburban locations would make use of the dual-price labels. An additional factor is concerned not with similar urban or suburban areas, but rather with other time periods. The severe inflationary pressures which were exerted on American households during the time the pricing program was in operation may well have increased consumer concern with economy in grocery shopping. Thus, it seems likely that a device which purports to help shoppers save money may well have been used by more shoppers during this time period than would be the case in a more typical (less inflationary) period in the future.

While these two factors suggest less label usage outside of the physical and temporal environments for the study, other factors suggest more usage outside of these environments. Most of these factors relate to the particulars of the pricing program itself. Before discussing them individually, let us first provide a perspective from which to examine them. According to one view, the present study of consumer reaction to dual-price labels constitutes a test of the dual-pricing concept. According to this view, if the labels are used by many respondents, then dual pricing is beneficial; if they are not, then it is of little value.

While appealing in its simplicity, this view ignores the fact that what is being studied is a reaction not to the concept of dual pricing as such, but rather to one particularization of that concept. In other words, we tested *one* type of label, with *one* format, and *one* unit of measure (actually two: pounds and pints), and in most instances the label appeared in *one* location relative to the package it described. While the choice in each instance appeared to be a reasonable one (on *a priori* grounds), we have no reason to believe that it was optimal. The choices of label format and print size, for example, were made primarily to conform to the output restrictions of a high-speed computer printer, rather than to present the dual-price information in its most communicable form. As a result, some respondents reported they had thought that since the labels lacked the color and large print size usually associated with promotional materials, they must have been posted for use by store clerks rather than by customers.

Similarly, a different positioning of the labels might have yielded different results. The labels could have been placed on the packages or on individual product-by-prod-

uct charts, each of which would have listed dual prices for the various product packages. Again, we have no way of knowing whether our choice of position optimally communicated the dual-price information to the shoppers in the two test stores. In addition, the small print size, particularly on labels placed on the lowest shelf, posed a problem for many shoppers. A new design might encourage more shoppers to use the labels. Finally, there is reason to believe that the choices of pounds and pints for our units of measure may have been poor ones for communication purposes. As an extensive analysis of this question suggests (see Appendix B), had units been individually selected for each product, better consumer understanding and greater ease of use might well have been the result.

As a result of these considerations, it would appear that the proportions of label users found in the present study may well underestimate what would obtain, if the necessary research were conducted to identify an improved design specification. Such research efforts should yield better particularizations of the dual-pricing concept than the one we employed.

Another consideration which also suggests that additional experience with dual-price labels might well result in greater shopper usage concerns the pilot nature of the dual-pricing program. For any new and complex program which calls for the cooperative involvement of many individuals, implementation problems are to be expected. The dual-pricing program is no exception. For example, in a number of instances, packaged products were not placed next to their associated labels (this was particularly true for vendor-delivered items, such as soft drinks) and cents-off packages were not dual-priced. In addition, floor displays often blocked the customers' view of the labels as did packages which overhung the shelf. If dual-pricing practices should become widely adopted by supermarkets, no doubt these and other implementation problems would eventually be solved; the result would undoubtedly be a more facilitative environment for label usage than was found for the present study.

So far we have examined two aspects of the present study (choice of design parameters and the inevitable problems of implementing these parameters) which suggest that future supermarket experiences with dual-pricing labels might find more shoppers using them. An additional factor which suggests this possibility concerns the changing educational backgrounds of the American population. If, as generally expected, the rapid growth in college enrollments should continue in the years ahead, the resulting large numbers of educated shoppers should be prime candidates for label usage. (This assumes that the statistical association found in the study between education and label usage would also hold for this more highly educated population.) The result could well be a shopper population which uses the labels in higher proportions than were found for the two samples.

In summary, although control questions were introduced to deal with threats to the internal validity of the results, they may have been only partly successful in handling sources of invalidity relating to the test product questions. The external validity of the findings are somewhat open to question. There are reasons for believing that label usage would be higher outside of the study setting, as well as reasons for believing that such usage would be lower.

#### STUDY 2: THE EFFECTS OF PACKAGING AND PRICING PRACTICES ON CONSUMER PRICE-COMPARISONS

While Study 1 revealed that a sizable minority of the inner-city and suburban-

store shoppers made use of the dual-price labels, it had little to say about the importance assigned to this aid for consumer price-comparisons. It may be that the respondents who reported having used the labels for this purpose could have compared prices almost as effectively without them. Should the evidence show this to be the case, dual-price labels would constitute little more than a minor convenience, and the case for their adoption would be seriously weakened. On the other hand, if the facts should indicate that many shoppers find that comparing prices is far more difficult without the aid of the labels, arguments for their adoption would be substantially strengthened.

Study 2 was designed to examine this question. The study looked at how effectively price-comparison problems could be solved by shoppers in an inner-city store and a suburban store, neither of which posted dual-price labels. Since it was believed that some price comparisons are more difficult than others, a two-dimensional model of difficulty in price comparisons was developed, and a set of hypothetical price-comparison problems was designed to fit the specifications of the model. Should the model prove to be effective, we would not only be in a better position to know if the dual pricing of supermarket products is likely to be helpful to comparison shoppers, but we would also be better able to identify individual products for which dual pricing is likely to be helpful, as well as individual products for which it is likely to be of little value.

The inner-city and suburban stores used in Study 2 were Safeway supermarkets located in the Washington area. Each was selected to match its counterpart in Study 1 with respect to the demographic composition of its customer population.

#### Procedure

##### The Price-Comparison Problems

Thirty price-comparison problems were structured, each of which asked which of two packages of the same product cost less per measure, and how much less the selected package cost per measure than the non-selected package. The problems were selected to conform to the two-dimensional model of difficulty in consumer price-comparisons. One dimension considered the nature of the size differences between the two packages in each problem set, while the other related to the manner in which these packages were priced. Three levels were established on the size variable and two on the price variable. At the first level on the size dimension appeared problems for which both packages were of the same size. At the second and third levels were problems for which the two packages differed in size. For problems at the second level, the quantity value for the larger package as a multiple of (evenly divisible by) the corresponding value for the smaller. For problems at the third level, the larger value was a non-multiple of the smaller. For example, a problem pair composed of a one- and a two-quart bottle of bleach would be classified at the second level, since two is a multiple of one. On the other hand, a problem pair consisting of a two- and a five-pound bag of sugar would be classified at the third level, since five is not a multiple of two.

The two levels on the price variable differed with respect to the manner in which the problem packages were priced. At the first level appeared problems whose packages were priced as single items (e.g. 17¢). For each problem at the second level, one or both of the packages were priced as multiple items (e.g., 2/33¢).

TABLE 15.—CHARACTERISTICS OF THE 6 SETS OF PRICE-COMPARISON PROBLEMS

Problem set <sup>1</sup>	Problem	Product	Package 1, amount and price	Package 2, amount and price	Problem set <sup>1</sup>	Problem	Product	Package 1, amount and price	Package 2, amount and price
S <sub>1</sub> P <sub>1</sub> .....	1	Frozen orange juice	12 oz., 47¢	12 oz., 53¢	S <sub>2</sub> P <sub>2</sub> .....	1	Elbow macaroni	48 oz., 69¢	16 oz., 2 for 57¢
	2	Canned peas	8½ oz., 19¢	8½ oz., 17¢		2	Liquid bleach	16 oz., 2 for 27¢	32 oz., 2 for 45¢
	3	Instant coffee	2 oz., 55¢	2 oz., 45¢		3	Solid shortening	16 oz., 2 for 81¢	48 oz., 90¢
	4	Liquid bleach	1 gal., 49¢	1 gal., 57¢		4	Mayonnaise	32 oz., 69¢	16 oz., 2 for 85¢
	5	Canned peaches	16 oz., 35¢	16 oz., 31¢		5	Pancake flour	16 oz., 2 for 57¢	32 oz., 2 for 97¢
S <sub>1</sub> P <sub>2</sub> .....	1	Frozen orange juice	12 oz., 2 for 93¢	12 oz., 53¢	S <sub>2</sub> P <sub>1</sub> .....	1	Granulated sugar	5 lbs., 59¢	2 lbs., 35¢
	2	Canned peas	8½ oz., 2 for 37¢	8½ oz., 2 for 33¢		2	Powdered detergent	20 oz., 39¢	49 oz., 89¢
	3	Instant coffee	2 oz., 55¢	2 oz., 2 for 89¢		3	Catsup	12 oz., 29¢	14 oz., 24¢
	4	Liquid bleach	1 gal., 2 for 97¢	1 gal., 57¢		4	Liquid detergent	22 oz., 39¢	12 oz., 27¢
	5	Canned peaches	16 oz., 2 for 69¢	16 oz., 2 for 61¢		5	Peanut butter	12 oz., 49¢	18 oz., 69¢
S <sub>2</sub> P <sub>1</sub> .....	1	Elbow macaroni	48 oz., 69¢	16 oz., 29¢	S <sub>2</sub> P <sub>2</sub> .....	1	Granulated sugar	5 lbs., 59¢	2 lbs., 2 for 69¢
	2	Liquid bleach	16 oz., 14¢	32 oz., 23¢		2	Powdered detergent	20 oz., 2 for 77¢	49 oz., 89¢
	3	Solid shortening	16 oz., 41¢	48 oz., 90¢		3	Catsup	12 oz., 2 for 57¢	14 oz., 2 for 47¢
	4	Mayonnaise	32 oz., 69¢	16 oz., 43¢		4	Liquid detergent	22 oz., 2 for 77¢	12 oz., 2 for 53¢
	5	Pancake flour	16 oz., 29¢	32 oz., 49¢		5	Peanut butter	12 oz., 2 for 97¢	18 oz., 69¢

<sup>1</sup> S<sub>1</sub>, S<sub>2</sub>, and S<sub>3</sub> refer to the size relationships between the 2 packages, namely: same size (S<sub>1</sub>); different size, with the larger size value being a multiple of the smaller (S<sub>2</sub>); different size, with the larger size value being a nonmultiple of the smaller (S<sub>3</sub>). P<sub>1</sub> and P<sub>2</sub> refer to the manner in which

the 2 packages are priced. Each of the 2 packages in a P<sub>1</sub> pair are priced on a single package basis, while 1 or both of the packages in a P<sub>2</sub> pair are priced on a multiple-package basis.

Taken together, the several levels on the two variables form a two-by-three factorial design, with each of the resulting six cells containing a single set of five price-comparison problems. The price-comparison problems in each set are delineated in Table 15. As indicated therein, the three sets of problems for the second price level are identical to those for the first price level, except that some of the single-item package prices at the second level have been changed to two-for equivalents of their counterparts at the first level. This was done for all packages except those for which the two-for price would exceed one dollar.

Actual store prices for the various packages were used in constructing the price-comparison problems. An effort was made to select commonly purchased products and to locate two packages for each problem which did not differ greatly in size. Each problem was presented to the respondents as a two-stage multiple-choice test. At the first stage each respondent was asked to choose which of the two packages cost less per measure. At the second stage, each was asked to estimate how much less per measure the selected package cost. The estimates were selected by the respondents from a set of five alternatives (2¢, 4¢, 6¢, 8¢, and 10¢). Respondents were allowed one minute to make the two decisions and were told to guess if they did not know the answer.

For problems at the first level of the size variable, respondents were instructed to answer by using the size of the problem package as the unit of measure. For example, they were asked to indicate which one of two 2-ounce jars of instant coffee cost less, and how much less (per 2-ounce jar) it cost. For problems at the second and third levels of the size variable, respondents were instructed to answer using either a pound or a pint as the unit of measure depending on whether the product was dry or liquid. For example, they were asked to indicate which one of two bags of granulated sugar, one containing 2 lbs. and one containing 5 lbs., cost less per pound and how much less per pound it cost. Needless to say, the first type of problem, which simply called for the respondent to subtract one package price from another, was much easier than the second type, which required more extensive calculations.

Since the data analysis was concerned with comparisons of response correctness for the various problem sets, a measure was introduced to control for the effects of response bias (i.e., selecting the first package with greater frequency than the second, or one of the five cost-values more often than the others). In particular, the problem sets were structured such that the correct answer was the same for all problems in the same ordinal position in each set. Thus, the first problem in all six sets had as its answer: package 1, 6¢; the second problem in all six sets had as its answer: package 2, 2¢; etc.

The problem sets were presented to respondents on 3x5 index cards. Except for the two-for price changes, the price and quantity information for each package was identical to that which appeared in the supermarket. Thus, though not indicated in Table 15, quantity information was expressed in two units (e.g. pounds and ounces), if it was also presented in this form on the package.

Interview Procedure

With few exceptions, the procedures of Study 1 (selection, training, and scheduling of interviews; selection of respondents; and in-store interview procedures) were followed in Study 2. One exception was that in Study 2, respondents were scheduled for interviews every 20 minutes (three per hour), rather than every 12 minutes (five per hour). Thus, with 200 interview hours scheduled in each store, a maximum of 600 interviews was expected for each of the two samples. Another exception concerned the assignment of problem sets to respondents. The sets were numbered from 1 to 6, and in each test store, the first set was assigned to the first-appearing respondent, the second to the second-appearing respondent, etc. After the sixth respondent had been tested with the sixth problem set, the cycle began again, with the first set being assigned to the seventh-appearing respondent, the second to the eighth-appearing respondent, etc. The cycles of six continued for all tested respondents in each store. This procedure, which approximated a random allocation of experimental groups to conditions, yielded 499 completed interviews in the inner-city test store and 526 completed interviews in the suburban test store. Missed and incomplete interviews totaled 101 for the inner-city store and 74 for the suburban store.

Response Measures

Two response measures were examined in the data analysis. The first is straightforward, consisting simply of the number of correct responses for each problem set. The second, which considers the magnitude of the response errors, is more complex, and thus requires a more detailed explanation. For any of the price-comparison problems, a respondent's answers to the two multiple-choice questions can be mapped into a single dimension, whose possible values are as follows: -10, -8, -6, -4, -2, +2, +4, +6, +8, and +10. The sign associated with each number indicates whether the first package (minus) or the second package (plus) was reported as lower in cost. The magnitude of the number itself indicates how much less it was reported to have cost. By using this mapping procedure, it becomes possible to represent, for any problem, the respondent's answer and the correct answer on a one-dimensional scale. Once so represented, deviations (in absolute value form) can be computed and summed over the problem set administered to each respondent. This sum constitutes the second response measure.

Results

Demographic information was collected for all respondents; the results are presented in Table 16. As comparison with Table 3 reveals, the composition of the suburban-store sample was similar to that of its Study 1 counterpart. However, considerable differences are evident for the two inner-city store samples, particularly with respect to sex, education, and household income. The lower educational and income levels for the Study 2 sample conform well to previous findings for inner-city ghetto populations (Sturdivant, 1969).

TABLE 16.—DEMOGRAPHIC CHARACTERISTICS OF THE TEST STORE SAMPLES

Variable	Inner-city (N=499) (percent)	Suburban (N=526) (percent)
Sex:		
Male.....	23.0	17.7
Female.....	76.8	82.3
No response.....	.2	0
Total.....	100.0	100.0
Age:		
Under 30.....	27.5	29.8
30-39.....	16.6	21.5
40-49.....	19.4	24.3
50-59.....	18.4	17.5
60-69.....	13.0	4.8
70 or above.....	4.6	1.9
No response.....	.4	.2
Total.....	100.0	100.0
Race:		
Negro.....	95.8	1.9
White.....	3.4	97.7
Other.....	.4	.2
No response.....	.4	.2
Total.....	100.0	100.0
Marital status:		
Married.....	46.7	85.2
Single.....	22.2	8.6
Separated.....	12.2	1.1
Divorced.....	4.2	1.5
Widowed.....	14.4	3.2
No response.....	.2	.4
Total.....	100.0	100.0
Education (highest level):		
0-8 years.....	26.1	2.9
9-11 years.....	28.9	5.5
High school graduate.....	34.1	32.7
Some college.....	8.0	29.5
College graduate.....	2.4	29.3
No response.....	.6	.2
Total.....	100.0	100.0
Household size:		
1.....	16.8	7.8
2.....	19.0	23.6
3.....	15.2	21.9
4.....	14.6	25.1
5.....	12.6	11.8
6 or more.....	20.2	9.7
No response.....	1.4	.2
Total.....	100.0	100.0

See footnotes at end of table.

Variable	Inner-city (N=499) (percent)	Suburban (N=526) (percent)
<b>Household income:</b>		
Under \$1,000.....	4.2	0
\$1,000 to \$1,999.....	5.8	.4
\$2,000 to \$2,999.....	6.8	.4
\$3,000 to \$3,999.....	9.0	.4
\$4,000 to \$4,999.....	11.0	1.1
\$5,000 to \$5,999.....	10.8	3.0
\$6,000 to \$7,499.....	10.6	5.3
\$7,500 to \$9,999.....	13.8	10.6
\$10,000 to \$14,999.....	8.6	22.4
\$15,000 to \$24,999.....	2.8	34.2
\$25,000 or more.....	.6	13.3
No response.....	15.8	8.7
Total.....	100.0	100.0
<b>Chief wage earner for household:</b>		
Respondent.....	60.5	30.2
Spouse.....	32.1	68.3
Other.....	6.6	1.3
No response.....	.8	.2
Total.....	100.0	100.0
<b>Employment status of chief wage earner:</b>		
Employed.....	71.3	91.6
Out of work.....	13.8	1.9
Retired.....	12.2	4.8
No response.....	2.6	1.7
Total.....	100.0	100.0

Note: Entries may not add to totals due to rounding.

TABLE 17.—DESCRIPTIVE STATISTICS RELATING TO NUMBER OF CORRECT RESPONSES FOR THE 6 PROBLEM SETS

	Inner-city store						Suburban store					
	P <sub>1</sub>			P <sub>2</sub>			P <sub>1</sub>			P <sub>2</sub>		
	N	M	SD	N	M	SD	N	M	SD	N	M	SD
S <sub>1</sub> .....	85	2.8	1.7	83	1.0	1.0	91	4.3	1.1	90	2.1	1.4
S <sub>2</sub> .....	84	.8	.7	80	.7	.8	89	1.9	1.2	90	1.6	1.2
S <sub>3</sub> .....	82	.5	.6	85	.8	.7	80	.7	.7	86	.6	.7

TABLE 18.—SUMMARY OF F AND ETA-SQUARE VALUES RESULTING FROM 2-WAY ANALYSES OF VARIANCE

Correct response	F	Eta-square
<b>Inner-city store:</b>		
Size.....	81.4	.20
Price.....	39.4	.05
Interaction.....	54.2	.13
<b>Suburban store:</b>		
Size.....	242.3	.41
Price.....	81.8	.07
Interaction.....	48.3	.08
<b>Absolute deviations inner-city store:</b>		
Size.....	38.6	.12
Price.....	13.6	.02
Interaction.....	9.6	.03
<b>Suburban store:</b>		
Size.....	21.4	.31
Price.....	17.8	.02
Interaction.....	11.6	.01

<sup>1</sup> p = 0.21; for all other F-values, p < 0.001.

Results for the first response measure are presented in Table 17. They offer strong support for the hypothesized two-dimensional model of difficulty in consumer price-comparisons. For the suburban-store sample, the effects of the size and price variables, as well as their interaction, are readily apparent in the trends exhibited by the means for the six problem sets. To a somewhat lesser extent, the same trend is evident for the means of the inner-city store sample. As shown in Table 18, a two-way analysis of variance on the data of each store found the effects of the size and price variables, and their interaction as well, to be highly significant (p < .001). The eta-square values indicate that the size variable played the major role in accounting for the variance on the first response measure.

Also of interest are the actual performance

levels achieved by the respondents in the two samples. When one considers that the chance response expectation for a problem set is a score of .5 (since the corresponding value for any problem is .1, and there are five problems in each set), it is apparent that neither sample did much better than chance on the problems at the third level of the size variable. The inner-city sample performed almost as poorly on the problems at the second level of this variable.

As we look next at the results for the second response measure (Table 19), we find a pattern which is highly consistent with that found for the first response measure. Here, as before, we find a distribution of

TABLE 19.—DESCRIPTIVE STATISTICS RELATING TO THE ABSOLUTE VALUES OF THE DEVIATIONS FROM THE CORRECT RESPONSES FOR THE 6 PROBLEM SETS

	Inner-city store						Suburban store					
	P <sub>1</sub>			P <sub>2</sub>			P <sub>1</sub>			P <sub>2</sub>		
	N	M	SD	N	M	SD	N	M	SD	N	M	SD
S <sub>1</sub> .....	85	12.7	15.1	83	25.8	16.4	91	6.2	10.3	90	11.7	8.5
S <sub>2</sub> .....	84	30.7	18.3	80	33.4	15.6	89	16.0	10.3	90	20.6	10.4
S <sub>3</sub> .....	82	31.9	12.5	85	31.0	10.6	80	25.8	10.1	86	27.5	10.4

In order to interpret the performance levels on the second response measure, it is necessary to compute a chance response expectation for each problem set. To do this, we note first that five different numerical values (2, 4, 6, 8, and 10) were used (each with a plus or minus sign) as correct answers in each problem set, with each value being used for one problem; thus, if we ignore signs, a value of 6 would constitute the mean for each set of correct answers. Next, it should be noted that a chance response to any problem would yield a uniform (rectangular) frequency distribution, the mean for which would be 0. For any single problem then, the chance response expectation (the numerical difference between these numbers) is equal to 6. For a total set of five problems, the chance response expectation would be five times this number, or 30.

Using this figure as a basis for comparison, we find that the inner-city sample performed at or below chance on four of the six problem sets. Indeed, only on the easiest problem set (S<sub>1</sub>, P<sub>1</sub>: same size packages priced as single items), did they score substantially above the chance expectation of 30. The suburban-store sample, on the other hand, performed considerably above the chance expectation on all problem sets, except those at the third level of the size variable.

Since only a few problems were included in each problem set, it is of interest to examine the internal consistency of each set. This "item analysis" was accomplished by computing separate two-way analyses of variance on the second response measure for problems at each of the five ordinal positions in each set. The results of these ten computations (five for each sample) revealed statistically significant effects (p < .01) for the size variable on all ten analyses; a similar, although less marked, effect obtained for the price variable, in that nine of the ten analyses yielded p-values less than .05. Together these two results indicate that the two-dimensional model of difficulty in price comparisons received empirical support not only from the findings for the total problem set, but from the findings for the individual problems as well.

A final data analysis dealt with the question of respondent motivation in performing the problem-solving tasks. Earlier we found that performance deteriorated on the more difficult problems to a near-chance response level for the suburban-store sample, and to chance or below for the inner-city-store sample. A possible explanation for this finding is that these respondents did not take the difficult problems seriously, and simply responded in each instance by offering

means over the six cells for the two samples which is highly supportive of our two-dimensional model. And once again, we find the stronger trend being manifested for the suburban-store sample. Not surprisingly, the two-way analysis of variances computed on these data (Table 18), yielded highly significant effects for the two independent variables and their interactions, the one exception being the lack of significance for the interaction variable for the suburban-store sample. Further agreement between the two response measures is exhibited by the eta-square values. Once again, we find that the size variable figured most prominently in accounting for variability on the response measure.

the first answer which occurred to them. This line of reasoning suggests that the time taken by respondents on the problem sets at the higher levels of the size and price variables should be about the same as (or possibly less than) that taken for the problem sets at the lower levels of the two variables. An analysis of the total times for problem sets yielded no support for this explanation. While marked differences were found between the two samples, within-sample findings showed a trend toward more respondent time allocated to the problem sets at the higher levels of the two variables. Looking first at the first level of the price variable, we find that the problem-set means (in seconds) for the inner-city store sample on the first, second, and third levels were 56.7, 72.3, and 71.8, respectively; the corresponding values for the suburban-store sample were 69.6, 147.9, and 178.5. Looking next at the second level of the price variable, we find that the problem-set means at the first, second, and third levels of the size variable were 64.7, 87.5, and 89.2, respectively for the inner-city-store sample, and 97.7, 187.4, and 208.3, respectively for the suburban-store sample. Two-way analyses of variance for these results yielded statistically significant effects (p < .01), for the size and price variables for each of the two samples.

In summary, the results for the two response measures provided strong support for the two dimensional model of difficulty in price-comparisons. They also revealed that the size variable had a greater effect on performance than the price variable. Particularly noteworthy were the high internal consistency (for individual problems) and external consistency (for the two samples) of these findings.

#### Discussion

In interpreting the findings of Study 2, one may gain the impression that the respondents' performance would have been error-free had they had dual-price information available to assist them. However, this would not appear to be the case. One of the problem sets (S<sub>1</sub>, P<sub>1</sub>: same size packages, single-item price) called for the same computational operations as would a dual-priced problem set (simply subtracting one single-item figure from another), and this problem set was not responded to correctly by all respondents. Since the two problem sets make the same operational demands on respondents, the means for the S<sub>1</sub>, P<sub>1</sub> problem set (2.8 for the inner-city-store sample and 4.3 for the suburban-store sample) would appear to be reasonable estimates of how well the respondents would have performed on the

various problem sets with the aid of dual-price labels.

If we adopt these figures as our estimates of performance under dual-pricing conditions, we find that the respondents would have benefited most from dual-pricing labels for the problems at the third level of the size variable. Indeed, when compared to the means obtained at this level, our estimated means under dual-pricing conditions are about 4 times as high for the inner-city-store sample and about 7 times as high for the suburban-store sample. At the second level of the size variable, the inner-city-store ratio of means remains approximately the same, while the suburban-store ratio drops to a value of about 2.5. Thus it would seem, if our estimate of performance with the aid of dual-price labels is a tenable one, that the addition of the labels would have substantially reduced errors on the more difficult problems in both test stores.

Is it likely that these results generalize outside the experimental settings? An affirmative answer is suggested by the unusually high consistency exhibited across problems, response measures, and samples. However, before such a positive response can be reported with confidence, we must examine several potential threats to the external validity of the findings which are posed by several artificial elements present in the test store settings. First among them is the manner in which the problems were presented to the respondents. The problems were presented on cards; had actual packages on supermarket shelves been employed instead, it may well be that somewhat different mean values would have been obtained on the two response measures for the six problem sets. However, it is less clear that the ratios between the estimated dual-pricing means and the obtained means for these measures would have been markedly affected. In other words, while a different mode of presentation for the problem sets may have yielded an overall increase or decrease in their difficulty level, it seems less likely that the positions of the problem-set means relative to the estimated dual-pricing means would have been radically altered.

A second artificiality concerns the fact that task motivation was induced by the instructions rather than by an expressed desire of the respondents to compare prices. Had the motivation been of a less artificial character, once again, we might have found an overall increase or decrease in performance on the various problem sets, but here, as before, there is no reason to believe that the ratios between the estimated dual-pricing means and the obtained means would have been seriously affected by such a change in motivational state.

A third artificial element was the multiple-choice nature of the price-comparison problems. It seems clear that a free response mode would have resulted in even poorer performance than that which was found, and especially on the more difficult problems. Indeed, when such a response mode was tried in a pre-test of the interview schedule, many respondents refused to solve the problems at the higher levels of the size variable, claiming that they were too difficult.

Finally, a fourth artificiality concerns the choices of multiple-item prices for the price-comparison problems. Our selections were limited to two-for prices even though higher multiples are often employed by supermarkets. Had such higher multiples been used, it seems safe to assume that the two price levels would have differed by a larger margin on the two response measures. It is even possible that the eta-square values for the price variable would have approximated those for the size variable.

To sum up, while several artificial elements were present in the two test settings, it does not appear that they served to inflate markedly the ratios of the estimated dual-pricing

means to the means of the problem sets. Indeed, in two instances, there is reason to believe that these ratios might actually be higher in other, non-test settings.

What significance can be assigned to the study findings? Perhaps of greatest practical value is the data-derived inference that dual-price-label usage is likely to result in a reduction in difficulty level for all but the very easiest of price-comparison problems (those with same-size packages and single-item prices). Also noteworthy, both theoretically and methodologically, is the operational model provided for categorizing products with respect to the difficulty they pose to price-comparison shoppers. Once having identified the sizes and prices for the various packages in a product class, one can determine the difficulty levels which are likely to be associated with price comparisons of competing package pairs. Such pairs would no doubt include different brands in packages of approximately the same size, as well as different-sized packages of the same brand.

#### Policy implications of the two studies

In addition to the question of economic feasibility (which was not considered in the two studies), two questions appear to be central to policy discussions of dual pricing programs. These questions, which were posed in slightly different form earlier in this report, are as follows:

1. What proportions of shoppers would use the dual-price labels?

2. How effectively would these shoppers make shopping decisions without this aid?

Answers to these questions would undoubtedly prove helpful to those parties responsible for determining whether dual-price labels should be adopted by American supermarkets. For example, assuming that costs are modest, should we find that many consumers use the labels, arguments for their adoption would gain support. And indeed, further support would result if the evidence should reveal that shoppers are not able to compare prices effectively without the aid of dual-price labels.

What do the study results have to say about these questions? With regard to the first one, the results of Study 1 indicate that a substantial minority of the suburban-store sample and a somewhat smaller minority of the inner-city-store sample reported that they had used the dual-price labels while shopping in the test stores. And it would appear that most of these respondent-users had continued to use the labels beyond the early period of the dual-pricing program. Finally, most of the users in both test stores reported that the labels were helpful, primarily as a device for realizing savings in their supermarket expenditures.

Interesting as these findings may be, it is by no means certain that they would generalize to other populations and to future time periods. Hopefully, future research with other customer populations and other design parameters will provide answers to these questions. While we await the results of these studies, our findings should be viewed with caution; they represent a first approximation of an answer to the question of what proportion of the shopping public would use dual-price labels.

The second of our two questions is concerned with how effectively shoppers are able to make price comparisons without the dual-price-label aid. The results for Study 2 suggest that, except for the simplest comparisons (two packages of the same size, priced as single items), shoppers are not able to compare the prices of supermarket packages effectively without the aid of dual-price labels. They further suggest that for comparisons involving different-sized packages, dual-price-label usage is likely to result in a substantial reduction in difficulty level; indeed, our figures indicate that label usage may increase the number of correctly made cost comparisons involving such pack-

ages by factors ranging from 2.5 to 7. Our findings also reveal that pricing practices significantly affect the difficulty of consumer price-comparisons. In particular, packages which are multiple priced were found to be more difficult to compare than packages which were priced as single items.

Not only do the Study 2 findings relate importantly to the second of our two questions, but they also shed light on the value of past legislative efforts in the packaging field. As indicated earlier, the Federal Packaging and Labeling Act of 1966 contains a provision for adopting voluntary size standards by industry for products with an excessive proliferation of package sizes. Since the passage of this law, a reduction in package sizes has resulted for some 30 product categories (Jensen, 1969).

Examination of the new package standards for these products in relation to the Study 2 model of difficulty in price-comparisons, suggests that these efforts to reduce proliferation may offer little assistance to comparison shoppers, and for two reasons. First, these industry efforts have not dealt with pricing practices. As a result, the potential benefits of a reduction in the number of package sizes may be negated by a supermarket operator who chooses to price the new packages as multiple items. Second, even though the number of packages in a product class is greatly reduced, comparison-shoppers are still faced with the problem of comparing the costs of different package sizes within the product class. As indicated earlier, our results revealed that comparisons of different package sizes were very difficult for the respondents in our two samples. And most difficult of all were comparisons of package pairs for which the larger quantity value was a non-multiple of the smaller. Unfortunately, many of the new package size standards adopted by industry are of this non-multiple force. For example, the values for toothpaste (in ounces) are 1.75, 3.25, 5.00, 6.75, and 8.75; the values for powdered detergents (also, in ounces) are 20, 22, 49, 54, 84, and 92.

All this is not to say that industry efforts toward eliminating the proliferation of package sizes have yielded no benefits to comparison-shoppers. The benefits, however, appear to be limited to price comparisons of different product brands. With fewer package sizes in a product category, it is more likely that competing brands will be sold in packages of the same size; thus cross-brand comparisons should be facilitated. However, once again, we note that this benefit may be lost, in part or whole, if these packages are multiply priced by supermarkets.

We conclude by noting that the findings of the two studies have not spoken directly to the question of what policy position should be adopted on dual-price labels. This, however, is not an appropriate role for research on matters of policy. As Millikan has suggested: "The purpose of social science research should be to deepen, broaden, and extend the policy-maker's capacity for judgment—not to provide him with answers (1959, p. 167)." By documenting consumer reaction to dual-price labels in two supermarkets, as well as consumer performance on a series of price-comparison problems, it is our hope that the two studies have served this purpose.

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#### APPENDIX A

##### Interview Schedules for the Two Studies

The three-page interviews schedule employed in Study 1 appears on page 88, 89, and 90. Only one form (B) of the second page is presented. Form A is identical to it except that it lists a different set of products. (see page 11).

A two-page interview schedule was employed in Study 2. Two forms of the first page were used, one relating to problems at the first level of the size variable, and the other relating to problems at the second and third levels of this variable. These appear on pages 91 and 92. The second page of the two-page interview schedule was identical to the third page of the Study 1 schedule, which appears on page 90.

#### APPENDIX B

##### An Analysis of Four Choices of Unit for Dual-Pricing Programs

What follows is a discussion of the strengths and weaknesses of various choices of unit for dual-pricing programs.

##### 1. The Ounce: A Universal Measure

The one general-purpose measurement unit for both dry and liquid products is, of course, the ounce. The chief attraction of this choice of unit, both conceptually and practically, is its simplicity. Only one unit need be employed by supermarket personnel in generating and displaying per-measure prices and by the economy-minded consumers who would make use of this information.

The disadvantages, however, are several. Interestingly, they are all manifestations of a common underlying problem—the inappropriateness of this unit for the many supermarket products which are usually quantified in larger units (e.g. granulated sugar, family flour, and liquid bleach). A first source of concern is that per-ounce pricing for these products may tend to create a false impression of negligible price differences across package sizes and brands. For example, a difference of a quarter of a cent per ounce for two competing brands of family flour may appear to be insignificant to a comparison shopper. As a result, she may not take the trouble to multiply this figure by the 80 ounces in the 5 lb. bag she is considering buying, and thus not discover that a substantial savings (20¢) would be realized for every five pounds purchased.

A second problem, touched upon in this example, relates to the need for fractional

cents or third-place decimals in the presentation of per-ounce prices. The problem here is not one of generating this additional information but rather one of comprehending it. Consumers are accustomed to using price-per-pound information in buying meat and produce, but in these instances the price presented is a concrete whole-cents or dollar-and-cents figure; a fractional-cent figure, however, is an abstraction whose meaning may be missed by many consumers, and particularly by those who lack the educational background to understand this information.

A third problem is that even with a full understanding of per-ounce prices, comparison shoppers will often have to perform highly complex multiplications and conversions in order to translate the per-ounce price difference between packages being compared to the quantity being purchased. To take a case in point, a consumer interested in knowing the savings to be realized by buying a large as compared to a small box of a particular brand of powdered detergent, would first have to find the difference in price per ounce for two containers, next convert the pounds-and-ounces units of the large box to ounces and finally multiply the per-ounce difference by the obtained number of ounces. Should the per-ounce-price difference be a three-digit figure, and the number of ounces in the large box, a two-digit figure, the shopper in this example would be faced with the nearly impossible task of multiplying a two-digit number by a three-digit number in her head. And it should be noted that while conversion from the larger unit to ounces is usually facilitated by the presence of quantity information on packages in both units (in the case of powdered detergents, pounds and ounces as well as ounces alone), this dual mode of presentation is often not employed for large package sizes.

To sum up, it appears that per-ounce pricing, while appealing on the grounds of parsimony and universality, suffers from a variety of deficiencies which would tend to minimize substantial price differences for many products, and perhaps more critically, to pose real problems of mental arithmetic (multiplication and conversion) for price-conscious consumers. In addition, the necessity of dealing with fractional cents or third-place decimals, a seemingly essential ingredient in any per-ounce-pricing system, would appear to introduce additional strains on the cognitive processes of many consumers.

##### 2. The Pound and Pint: Measures Based on Product Contents

A step in the direction of remedying some of the aforementioned deficiencies may be realized by introducing one measure for dry products and another for liquids. Since packages for most dry products are quantified in units of a pound, this would appear to be the natural choice for these products. For similar reasons, the pint, or perhaps the quart, would seem to be the logical choice for liquid products.

While the three problems identified for per-ounce pricing do not disappear with this dual measure system, they are likely to be substantially reduced in magnitude. Since many products are quantified in the larger pound-or-pint units, one can expect less consumer under-reaction to per-pound-or-pint price differences, less need for fractional-cent information, and fewer and less complex multiplication and conversion operations. (Ironically, it is entirely possible that the pound-pint system would cause purchasers of certain products to over-react to stated unit-price differences. For products customarily quantified in ounce units, such as toothpaste, frozen fruit juices, and instant coffee, the dual-pricing system may well mislead many unwary shoppers into believing that price differences between packages are unusually large.)

##### 3. Individual Product-Based Measures: The Ultimate in Flexibility

A further step toward alleviating the problems of the per-ounce-pricing system would be accomplished with the introduction of a truly flexible system in which the choice of unit would be individually made for each supermarket product based upon the customary quantification practices for packages of the product. Such a system might well employ ounces for instant coffee, pounds for ground coffee, pints for liquid detergents, and quarts for whole milk.

The expected gains in consumer understanding of unit-price differences and ease of use of this information would be accomplished at a higher initial cost in establishing such a variable-unit system. Individual choices of appropriate measures would have to be made for hundreds of supermarket products and while many of these choices would be straightforward, many others would not. A critical consideration here is whether or not one unit or several are customarily used to present quantity information for the various package sizes in a product category. For example, all instant coffee jars, regardless of size, are quantified by the ounce, but bottles of liquid bleach typically use three different units, namely the pint, quart, and gallon. Thus the ounce would appear to be the appropriate unit for instant coffee, but it is not clear which of the three liquid bleach units should be selected for this product.

In summary then, there is reason to believe that the choice of units to present per-measure prices may seriously affect consumer comprehension and utilization of this information. Per-measure-pricing systems which use a single unit, the ounce, for all products, would seem to be the least helpful to cost-conscious consumers and systems which employ a variety of units, each individually selected on the basis of the quantification practices for the various products packages, would appear to be the most helpful. Somewhere in between these two extremes we would find the dual-pricing system employing the pound as the unit for dry products and the pint or quart as the unit for liquid products.

It is of interest to note that this discussion of pricing systems is not entirely academic, in that all three systems have been used by supermarkets to present dual-price information. If tests of consumer reaction to these various systems are conducted, an opportunity may be afforded for testing the validity of the hypotheses set forth here.

Before concluding this discussion of per-measure-pricing systems, let us look briefly at a qualitatively different kind of system, one which would offer consumption-weighted unit prices to supermarket shoppers. With such a system, the number of units of a supermarket product consumed over a fixed time, say a year, by a "typical family unit", would be estimated and this figure would be multiplied by each of the per-measure prices for the various packages in the product category. The results of these multiplications would then be displayed on supermarket price labels. Thus, for example, if we were to find that a "typical family" used 50 pounds of granulated sugar a year, a 5 lb bag selling at 10¢ a pound would be assigned a value of \$5.00, and a 10 lb bag selling at 9¢ a pound would be assigned a value of \$4.50.

The primary advantage of such a system is that it calls the shopper's attention to what may well be a more meaningful basis for price comparisons for many supermarket products. Instead of asking how much would be saved by buying one package of Brand X as compared to one package of Brand Y, a shopper using consumption-weighted unit prices would ask how much annual savings would be realized through the continued purchase of one brand instead of the other. Without consumption-weighted unit prices, a shopper

might react similarly to identical price differences between two brands of granulated sugar and two brands of table salt; with consumption-weighted unit prices, a larger numerical difference would be presented for granulated sugar than for table salt (since more sugar is consumed by American families), and as a result, our hypothetical shopper may decide that only in the case of granulated sugar would substantial savings be realized by buying the less expensive brand.

What are the weaknesses of a consumption-weighted pricing system? Perhaps most critical is the problem of identifying a typical family unit with which shoppers from the total spectrum of the American population could identify. How is an elderly widow with limited funds to interpret the 50 cents difference between the 5 and 10 lb. bags of sugar cited in our example, when this difference obviously relates to a family unit which uses far more of this product than she does. Similarly, how is a shopper for a large family to apply the 50 cents figure to her household, knowing that it severely underestimates the annual savings she would realize by buying the 10 lb. bag rather than the 5 lb. bag. And even families of the same size and composition as our "typical family unit" would vary considerably in their annual consumption of various supermarket products. Ethnic and regional considerations as well as individual differences in personal and family style factors all contribute to the possibility that our "typical family unit" would represent nothing more than a statistical abstraction.

In light of these considerations, it is perhaps not surprising that no supermarket has experimented with a consumption-weighted per-measure-pricing system. In addition to the problem of selecting a "typical family unit," is the further problem of securing consumption data for the hundreds of supermarket products used by this family unit. Nevertheless, the system does offer certain unique advantages to cost-conscious consumers, and it would seem that an empirical test of consumer reaction to a pilot pricing program of this kind would be a most worthwhile undertaking.

#### ONE DAY IN THE LIFE OF GUY VANDER JAGT

HON. ROBERT P. GRIFFIN

OF MICHIGAN

IN THE SENATE OF THE UNITED STATES

Thursday, April 15, 1971

Mr. GRIFFIN. Mr. President, in 1966, when I left my seat in the House of Representatives to run for the U.S. Senate, the people of Michigan's Ninth Congressional District wisely chose a very able, young State senator as my successor. He is Representative GUY VANDER JAGT.

Having followed the brilliant career of GUY VANDER JAGT from his high school days, and having played a personal role in encouraging him to enter politics in the first place, I am not the least bit surprised that in 5 short years Congressman VANDER JAGT has established himself in the House of Representatives as an outstanding legislator, highly respected by his colleagues on both sides of the political aisle.

Mr. President, a very informative article about Congressman VANDER JAGT appears in the current April issue of *Harpers Magazine*. I ask unanimous consent that the article, written by John Corry, be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

#### ONE DAY IN THE LIFE OF GUY VANDER JAGT (R.-MICH.)

(By John Corry)

The Congressman is ready to tie his shoelaces, having waited, as he does every morning, until he has stepped on the escalator that rises out of the bowels of the Longworth House Office Building, where he has parked his car, and is ascending to the basement, where he can take an elevator to his office on the second floor. The Congressman ties his shoelaces with a certain grace and style, the idea being that before he gets on the escalator going up, he will glance at the escalator coming down, and see if there is anyone on it he knows. The Congressman is an affable man, which is one reason he is a successful politician, and he knows a good many people in and about the House of Representatives, which is one reason he is a sound Congressman, and if he bends too quickly to tie his shoelaces while he is on the up escalator, he might pass without seeing someone on the down escalator to whom he might want to nod. There is a lot of civility in the House of Representatives; and while this can be one man's ———, it is another man's good manners, and without it the Congressmen might fly at one another's throats and never get around to doing any business at all. On this particular morning the Congressman, an intensely disorganized man who can get on the escalator with a pair of socks or Jockey shorts in one hand because he has forgotten to pack them in the overnight bag he is carrying in the other hand, is completely unencumbered, and so with both hands free, and after saying hello to a Congressman who was on the down escalator, he bends, ties his shoelaces, and straightens himself up at that precise moment he reaches the top. "There," he says, "I used six seconds that I might have wasted."

Now, this is whimsy, a ritual observed by the Congressman only because he enjoys observing it, and on this particular morning there is hardly any need to save time at all. It is a day in December, the election is past, and a new House, with fifty-six new members, will convene in less than a month. In fact, the Congress, having been sluggish in its duties in the past year, is meeting now mostly so that it can pass appropriations bills that will keep the great creaking machinery of government from going flat broke, and there is not much of a sense of urgency about even that. The Congressman, whose name is Guy Vander Jagt, and who is a thirty-nine-year-old Republican from the Ninth District in Michigan, will spend his day not being caught by the great questions of war and peace, but by things that few people outside his office have even heard of, which, as any Congressman will tell you, are the things that usually engage Congressmen anyway. A Congressman, you understand, is seldom allowed to be apocalyptic, which is a privilege ordinarily extended only to writers, ideologists, and a few show-business personalities; and although the messianic complex is rampant in the House of Representatives, it is considered bad form to show it, and a good Congressman does not. Consequently, on this quiet day in the House, when, among other things, seven bills and two resolutions will be introduced, when thirteen bills will be reported, a dozen committees will meet, and an uncounted number of Congressmen will either fall flat on their faces or run up some small and modest triumphs, Congressman Vander Jagt, recognizing it all as a slow day, will not hurry to his office, but will tarry, saying hello to as many people as he chooses, and move through the Longworth House Office Building with the sure tread of a man who is absolutely delighted to be precisely where he is.

Vander Jagt was made to hold office, being an old farm boy from Cadillac, Michigan who was graduated from Yale Divinity School, then left a pulpit to become a television news commentator, and then left that to go through law school and become a trial lawyer. In 1965 he ran for the State Senate, first telling the voters that if he won he would hold no other job than elected office, and be only a servant of the people. He did win, and subsequently the members of the press gallery chose him as the outstanding freshman in the State Senate. When Senator Patrick McNamara died in 1966, Congressman Robert P. Griffin was selected to fill the vacancy, leaving open his own seat in the Ninth District, and Vander Jagt chose to run for that. The district, made up of eleven counties on the western shore of Michigan, begins about a third of the way up the coast of the lower part of the state and stretches into the Straits of Mackinac, which is close to the wonderfully desolate Upper Peninsula of Michigan.

The nice thing about Michigan is that while politically it is thought of as being mostly Detroit and a few outlying communities, it includes virtually every class and condition of America, and Vander Jagt's own district, which is mostly rural and Republican, includes a county that is mostly urban and Democratic. Despite that county, which he carries anyway, the only truly difficult election contests that Vander Jagt has been in have been Republican primaries, the first when he ran for the State Senate, and the second when he ran for Griffin's seat. In that second primary, his opponent's people distributed a particularly scurrilous broadside which charged, among other things, that Vander Jagt had been in and out of mental institutions and that his wife had had some unknown number of husbands before she met him. In fact, Vander Jagt had never suffered an emotional ailment and his wife had never been married before, and other than introducing Vander Jagt to the particular ugliness that gets entwined in the political process, the broadside induced a good many Republicans to vote for him. The Michigan Ninth has a large number of what are sometimes called burghers, who do not much care for dirty pool, and the things that get to them the most are the things that can either be dismissed as home-and-motherhood stuff or be recognized as the serious concerns of serious people, which as often as not is what they are. Possibly, these concerns are most apparent in Ottawa County, the southernmost county in Vander Jagt's district, where a man must search long and hard to find a fifth of Scotch, and where most of the people, like Vander Jagt, are of Dutch descent.

Vander Jagt, in fact, won his first campaign in Ottawa County, getting elected president of the student body at Hope College in the town of Holland, when a particularly astute campaign manager used the slogan "Fly High With Guy," and insisted that the candidate appear before him each morning fully and suitably clothed, Vander Jagt even then having an unusual tendency to look as if he had stood in the middle of a room and his clothes had dropped on him at random. At Hope, Vander Jagt also won nearly every speech contest that was open to a college student, which was interpreted as a sign that he would later make it in any of the entertainment arts, all of which he more or less did, while finding only politics sustaining enough to stay with. Vander Jagt stayed at Yale Divinity School largely because Richard Niebuhr was there, and he regarded Richard as a more interesting man than his brother Reinhold.

Later, he left the pulpit of his Congregational church in Cadillac because he could find nothing suitable to preach about death. He left television because that was just another branch of show business, and he went

through the University of Michigan Law School mostly out of perversity. A dean had called him in on his arrival and said that Michigan was the finest and toughest law school about and that it was impossible to get through without the utmost devotion to law books and classes. The hell, Vander Jagt had said, and subsequently made it a point not to open too many books, and not to be particularly diligent about classes either. (Phillip A. Hart, the senior Senator from Michigan, is supposed to have gone through Michigan Law School without opening any books. He was graduated No. 1 in his class; Vander Jagt, however, only made it into the top quarter.)

When Vander Jagt left law school, he went with Warner, Norcross & Judd, the biggest and most prosperous law firm in Western Michigan, and he was doing just fine, until one night, answering his own secret urgings, he summoned his wife Carol and announced that he wanted to go into politics. He did, running that first race for the State Senate, and being fortunate enough to have as his Democratic opponent a civilized doctor with money, who said to him, I have means, and you have none; I shall not try to outspend you, but we will debate together, and try the campaign on the issues. This they did, arriving separately with their wives at the schools, Legion halls, and churches of Western Michigan, there to talk about issues and call each other skunks and blackguards, and then to steal away separately and unite for a drink in some place where they would not be recognized. The doctor is still the most formidable opponent Vander Jagt has faced in a general election, and the Democratic party in the Michigan Ninth is a frail vessel indeed. Once Vander Jagt ran against a former minister, possessed of an enormous voice, an old Phi Beta Kappa key that he jangled a lot, and firm conviction that the only thing worth talking about was the peril of extending aid to parochial schools. Another time he faced an apple farmer, who began his speeches by saying, "Hip, hip, hooray for America," and never got much beyond that; and in this last election he was up against a union official, who hardly said anything at all.

Nonetheless, Vander Jagt has remained an assiduous campaigner. In 1970, he returned to his district forty-nine times, speaking whenever he could get even two or three to gather in his name, and faithfully listening, nodding, and trying to accede to each request from a constituent, no matter how loony. In the spring of the year, Carol Vander Jagt organized a "Fry for Guy," which was a bratwurst roast in the sand dunes alongside Lake Michigan, charged admission at \$100 a couple, and raised \$14,000 for the campaign. There was to be no other money, although the Democratic organization in the Ninth, which is really labor and its Committee on Political Education (COPE), had more, and it was able to use unions, their members and halls, and their mimeograph machines too. This made the Ninth one of the few districts in the country where the Democrats spent more than the Republicans, although any Congressman from the Ninth would still cherish an endorsement from the conservative Americans for Constitutional Action infinitely more than he would one from the AFL-CIO. Vander Jagt, in fact, had even asked Americans for Constitutional Action for an endorsement, and throughout the campaign he carried a copy of their telegram in his back pocket, ready to whip it out at first sight of an outraged conservative. Vander Jagt had voted for the rat-control bill, and he had voted against the supersonic transport. He had voted for the House version of the Cooper-Church resolution, which would have required the withdrawal of American troops from Cambodia, and in his finest and most independent hour he had been the only

Republican to vote against a military appropriations bill. Still, a defeat was inconceivable, and he knew it, and the Democrats knew it, and so did everyone else. COPE's campaign had not been particularly good, and there were defections in its ranks. One night Vander Jagt debated a union leader who stood up and said, "Well, I want you to know that Vander Jagt is my friend and I like him. In fact, I can't think of much bad to say about him. In fact, I can't think of anything bad to say at all." Then he sat down. Still, politicians' hopes are the most fragile of things, and politicians plunge easily into despair. On election night, the first return was from a Democratic precinct in the Democratic city of Muskegon; "214 for Rogers, 115 for Vander Jagt," a voice on the phone said. "Don't tell Guy. It will only worry him," Mrs. Vander Jagt said, looking stricken herself. Then she told him anyway, and he looked stricken too. When it was all over, however, he had won with 67 per cent of the vote, and he had even carried Muskegon easily. The next morning Vander Jagt was outside the gates of a factory, awaiting the men as they came to work, and then thanking them for their support.

So, on this slow day in the House, Vander Jagt enters the office on the second floor into which he and his staff lately have moved from an office on the first floor. The new office is next to the one occupied by John Buchanan of Alabama, and Buchanan is supposed to have the best-looking secretaries on the Hill, one of whom had reached an ephemeral kind of fame by being dropped from the staff of Senator Joseph Tydings after she had worked as a bunny in a Playboy club. Now, *machismo* is important to Congressmen, being one of the things they use to unite themselves when politics divides them, and a Congressman is only paying another Congressman a compliment when he suggests that he, too, is full of *machismo*. For days after he had moved in next to Buchanan, Vander Jagt was visited by Congressmen who would say, "Guy, you old rascal, how did you ever manage to get this office?" All of this upset Vander Jagt's own girls, who are good-looking themselves, and Vander Jagt, trying to do the right thing, told them that they probably were more efficient than Buchanan's girls, which did no good at all. A Congressman's staff is enormously important to him, handling his requests from constituents and other supplicants, and more or less seeing to it that the Congressman does not disappear under a welter of trivia. Among his other allowances, a Congressman is permitted to hire up to thirteen people, and to pay them a total of \$135,000. Vander Jagt has four secretaries and an administrative assistant working for him in Washington, and one full-time man and three part-time people in his district. Every so often, he gets in other people for specific tasks (addressing Christmas cards, for example), and he is planning to hire a former professor of political science, who will be something of an idea man. The Congressional bureaucracy measures and operates itself under rules that no one man can ever know, or for that matter ever want to know. A Congressman, for example, is allowed to get a new steamer trunk at the start of each session of Congress and one plant a month from the Botanical Gardens. He is allowed to spend up to \$3,500 a year for stationery, but if he takes the money and puts it in his pocket, it is to be considered income. The long distance calls from his office are measured by units, with one minute on the phone being four units, and the office may use up to 150,000 units every two years.

However, if the calls are made after 5:00 p.m. or before 9:00 a.m. on something called the Federal Telecommunications System, they are free. Salaries for staff people are figured on a base pay, and although the base pay of, say, an administrative assistant may be only \$7,500, his actual salary may

be \$27,000. A Congressman is allowed one free trip home every month, while members of his staff are allowed two a year. When Vander Jagt first reached the House, he had to supply his own curtains and wastebaskets. Subsequently, the bureaucracy shuddered into action, and now gnomes from somewhere bring them in for free.

"Guy, these are the calls so far," Peg Martin says to Vander Jagt. Mrs. Martin is the doyenne of the staff, a pretty woman with gray hair who reached the Hill in 1939, became enchanted by it, and never left. She is a discreet woman, married to a lobbyist for the oil industry, and one way or another she may know everyone in government. When her husband gave a party for her on her thirtieth anniversary in Congress, even Wilbur Mills, chairman of the Ways and Means Committee, came to celebrate, and Mills is a man with such small use for parties that he would grumble when President Kennedy would invite him to dinner at the White House. Now Mrs. Martin gives Vander Jagt his messages, arranging them so that the first he sees is one from Russell Train, the President's adviser on environmental problems. Vander Jagt calls Train, listens, and says, "Russell, that's just wonderful. I'm absolutely delighted, and thank you, thank you, for calling." Vander Jagt, you see, is the ranking Republican on the Conservation and Natural Resources Subcommittee, and about six months ago, the subcommittee went to the White House environmental people and discussed with them an old law that forbade industry from befouling interstate waters. The law, in fact, had been passed in 1899, but, like so many things in government, had lain moldering until good men would put their hands to it. Henry Reuss, a Democrat, who is the chairman of the subcommittee, brought the law up in hearings, wrote letters about it, and then went around and made speeches about it. Vander Jagt, being a Republican, and therefore closer to the White House, kept talking to the people there, and two weeks ago he got to Train at a cocktail party and insisted to him that the 1899 law should indeed be resurrected. Now Train had called to tell him that the Administration would soon issue an Executive Order, declaring that the old law was official policy and that enforcement machinery for it would be set up. There is nothing simple about government, and in the end the 1899 law will involve three or four agencies (all of which will have their own lobbyists), the Army Corps of Engineers, a couple of Congressional committees, and the delicate considerations of partisan politics. Jobs will be created, reputations will collapse, and some staff people will weep with frustration. Government is like that, and it is easier to be apocalyptic than to try to understand it.

So, feeling well pleased by Train's call, and after having disposed of some matters of no consequence, Vander Jagt leaves his office for the House gym. The gym, deep in the recesses of the Rayburn Building, is unmarked, and it is open only to Congressmen, who, in fact, do a good deal of business there. It is where they can be good fellows together and where even the least of the Congressmen can approach a committee chairman, naked and alone in the steam room, and ask for a favorable ruling on his bill. Some Congressmen spend more time in the gym than do others and the Republican minority on the Public Works Committee, for example, meets there in a more or less permanent caucus. Vander Jagt himself is the president of the gym, which he became when the other Congressmen voted him the Bullshot of the Year Award. This is an engraved cup that ostensibly is given to the Congressman who cheats the most at a game called paddle ball, and argues more over questionable line calls; actually, it is given as a mark of esteem, and Vander Jagt treasures it. The only duty of the president is to preside each year over the

gym's annual dinner, which has been held in eighteen different places in twenty years, few establishments being willing to have the Congressmen as guests more than once. At some point in the dinners, Congressmen begin to soak their napkins in their water glasses, and then hurl them at other Congressmen. The hilarity increases after that, and otherwise dignified men get themselves sodden and bespotted, although the Great Republic itself always survives.

Nonetheless, there is a majesty about the House, even if it is not always apparent in its members. It must always be remembered that the curious ways of politics in the House, unlike the Senate, do not allow for much majesty, which is why Congressmen are infinitely more interesting and proportionately more productive than Senators, who must strike postures a lot. In the House, it is sweatier, so to speak, and more intimate, and there is more room for caprice. Vander Jagt's chief and abiding interest, for example, has been the environment, and his most notable project has been the establishment of the Sleeping Bear Dunes National Park, a tract of 61,000 acres on the shore of Lake Michigan. For years, Phil Hart had been introducing a Sleeping Bear bill in the Senate, and for years the Senate had been passing it. In the House, however, the bill never got beyond the Interior and Insular Affairs Committee, whose chairman, Wayne Aspinall of Colorado, always declined to report it unless the full Michigan delegation, Republicans and Democrats, would support it.

This the delegation always declined to do, and Sleeping Bear would always die. Shortly after the '68 elections, however, Vander Jagt began to negotiate with the Secretary of the Interior and with the Park Service over a new Sleeping Bear bill, one that might please everyone, and after ten months of negotiation he produced it, staying all the time in touch with Hart, who was still laboring for Sleeping Bear in the Senate. This annoyed James O'Hara, a Democrat, who was Hart's closest colleague in the Michigan Congressional delegation, and he said that Hart should be dealing with him and not with Vander Jagt, who was, after all, a Republican. Consequently, O'Hara said, he would have nothing to do with Vander Jagt's bill, which meant, of course, that Aspinall would then reject it because the Michigan delegation would be divided. Subsequently, a lobbyist for the Wilderness Society got to O'Hara and suggested that he introduce his own bill, which the Michigan Democrats could sign, while the Michigan Republicans could go with Vander Jagt. O'Hara did, confusing nearly everyone, and inducing John Dingell, another Democrat, to say the hell with it and sign both bills. Meanwhile, the Interior Department, which had been working with Vander Jagt on his bill, suddenly and inexplicably said that it liked O'Hara's better. This enraged Vander Jagt, who, on demanding an explanation, was told that the man in the Interior Department who knew all about Sleeping Bear was on vacation and that someone had made a mistake. The department then reversed itself, and the O'Hara bill was so amended that it really became the Vander Jagt bill, even though O'Hara's name was still on it. Chairman Aspinall, however, said that a bill amended that much was a mess, and he demanded that the Michigan delegation produce a clean bill. Of course, he said, it would still have to be supported by the full delegation. During all these peregrinations, Martha Griffiths of Detroit, a Democrat, had been lobbying for her own bill on women's rights, which was stuck off in another committee. Mrs. Griffiths wanted everyone to sign a discharge petition to force the committee to release the bill, but O'Hara, very sensibly saying that it was a bad bill, would not sign. This so angered Mrs. Griffiths that she said she would not support the Sleeping Bear

bill. But, Martha, Vander Jagt said, that's *my* bill. I know, Mrs. Griffiths said, but that man's name is on it. But, Martha, Vander Jagt said. No, Mrs. Griffiths said. Nonetheless, Mrs. Griffiths said that she would visit Aspinall, and she did, telling him that she really did like the bill, but that she simply would not sign anything that said O'Hara on top. Aspinall, who is seventy-four, rather liked the idea of Mrs. Griffiths coming to him that way, and so he said that his committee would report the bill out, even without her signature.

Faithfully, the committee did report the bill, sending it to the Rules Committee, which was to decide when it would be sent to the House floor, where its passage would be assured. There was, of course, no reason to think the Rules Committee would delay the bill, which had been the fruit of so much labor and passion, but in the mysterious ways of Congress, it did, and once again Sleeping Bear was languishing. Baffled, Vander Jagt approached various members of the Rules Committee, asking them why, and was told that "Charlotte didn't like the bill," although no one knew quite why. Now, Charlotte is Congresswoman Charlotte Reid of Illinois, and she is not a member of the Rules Committee, but she is a sunny woman, much admired and liked, who was once the vocalist on Don McNell's old *Breakfast Club* radio program. The members of the Rules Committee could not possibly know much about Sleeping Bear, but they did know Mrs. Reid, who has a summer cottage in the Sleeping Bear area, and they wanted to please her. Therefore, they were holding the bill back, and they kept holding it back until Mrs. Reid and Vander Jagt appeared formally to argue their cases. Then the committee locked its doors and voted in secret. When the doors were opened, it was announced that Sleeping Bear, finally, had triumphed.

It is noontime, and Vander Jagt is just sitting down in the House restaurant, and on the floor of the House the chaplain is praying over those few members who have gathered to open the day's session. Three staff people from the White House happen by, and one of them glumly tells Vander Jagt that "even cannons couldn't get the Buchanan bill out of the Rules Committee." Congressman Buchanan has sponsored a bill that would put a new consumer-protection agency more or less under the control of the White House, while a competing bill by a Democrat would make the agency more autonomous, which the staff people plainly don't want. A buzzer sounds in the restaurant, and Vander Jagt frowns. The buzzer means that a quorum call has been put forth on the floor and that a clerk is about to read the roll.

The Constitution says that Congress cannot be in session unless a majority of its members are present, and so any Congressman, at any time and for the most frivolous of reasons, can ask the Speaker to check and make sure there is a majority. There are quorum calls because a Congressman simply is feeling irritable, or because he wants to delay the day's business, or because he has a friend who is making a speech and he wants to roust the other Congressmen out to hear it. There are quorum calls because a Congressman is lonely and wants to see his peers milling about him, and there are quorum calls because someone wants to empty the paddle-ball courts in the gym and then dash down and get the center court. (For his own reasons, H. R. Gross of Iowa asks for more quorum calls than anyone else, and the other Republicans, accepting it, R., sometimes call him the "conscience of the House.") Mostly, however, H. R. is just being cranky.) Consequently, Congressmen spend a good part of their days walking rapidly along the underground corridors that lead from their office buildings to the Capitol, where they run out on the House floor, shout "Present,"

and then leave. It is usually a great exercise in futility, and the Congressmen resent it, but no one has been able to think of a way to stop it. Quorum calls are part of a man's record, and they are just not very well understood outside of Congress. A Congressman does not want his opponent in an election to be able to ask where he was when the roll was called that day, and so he goes on making the quorum calls. "In politics," Vander Jagt says, "if you even have to *answer* a charge, then you've already lost."

Vander Jagt waits until the buzzer rings a second time, which means that the clerk reading the roll is up to the letter Q. Vander Jagt has nicely calculated from all parts of the Hill exactly how much time it will take him to reach the floor after that second buzzer rings; from the restaurant, allowing for all vagaries, he knows that he can wait about two minutes, walk to an elevator, and get there just as the clerk is ready to intone "Vander Jagt." Today this gives him time to swallow his soup, unnecessarily tell the waiter he will be back, and start for the House floor in a dignified way.

Allard K. Lowenstein, the liberal New Yorker who has just been defeated for reelection after one term, wants to make the quorum call too, and he is running. "Guy," he says, "can you think of anything more foolish than a lame-duck Congressman in a lame-duck session trying to answer a quorum call?" Everyone knows Lowenstein, and for days now, conservatives who might be expected to want to crucify a man of his proclivities have been coming up and saying how much they will miss him. Congress is a tough house to play to, but Lowenstein, who as much as any man had been responsible for Lyndon Johnson's decision not to run again, was something of a celebrity when he arrived, and Congressmen like to have celebrities about. Moreover, in terms of Congressional politics, Lowenstein was an authentic radical, and conservatives always are pleased when they meet someone they suppose to be a radical—and then find he is a decent, pleasant man. For one thing, it makes a conservative feel good, convincing him that he can get along with any man; for another, it makes him feel daring. Every two years, the Congressmen measure up all the new boys, and if a new boy is supposed to have a special dimension about him, he is measured up all the more quickly. Ideologists do not come out well, but Lowenstein showed he was a genuine reformer, and certainly not just another liberal politician, and the old boys respected him for it. On Lowenstein's first day in the House, the late L. Mendel Rivers accosted him and almost immediately began waving three fingers in his face. Ho, ho, the reporters in the gallery said, Rivers is telling Lowenstein not to try any fancy New York-Jewish-liberal stuff here. Actually, Rivers was very courteously telling Lowenstein there were three synagogues in his district in South Carolina.

It is the 190th quorum call that Vander Jagt has answered this year, and he shouts "Present" and starts to move off the floor. Congressman Garry Brown stops him and says he needs his vote on an amendment he will offer in the afternoon. "I'll be there, Garry," Vander Jagt says. Congressman Don Clancy moves in hurriedly and says, "Guy, don't go away. I've been designated to seek your support for Sam Devine for chairman of the House Republican Conference." Now, this is a move by the more conservative Republicans to put one of their own in a job held by John Anderson, who is a moderate. It is largely a ceremonial job, but most Congressmen are moderates, and both the right and left wings of Congress place great stress on ceremonial victories. "I'm sorry, Don," Vander Jagt says, "but John Anderson is a friend of mine. I've been in his home, and he's been in mine." "Okay, Guy, I understand," Clancy says, and almost certainly he

does, friendship and personal loyalty being recognized in the House as things beyond ideology, and sufficient to justify nearly any position. So Clancy does not try to persuade, and Vander Jagt returns to lunch. He has made the round trip in four minutes. There is nothing but routine in front of him, and he is a little bored, even though he is a man who loves the House.

"Sometimes," he says, "I feel as if I should be paying for the *privilege* of being here." Congressman Pete McCloskey stops by, exchanges pleasantries, and mentions something about the Government Operations Committee. A few days before, in an interview with a reporter for the *Los Angeles Times*, McCloskey had said that it would be a good thing for everyone if Nixon were challenged in some Presidential primaries in 1972. Now, McCloskey has lean, tough good looks, and the residue of a national reputation left over from the time he beat Shirley Temple Black in a primary. Moreover, he is a liberal Republican, and he was endorsed by the *New York Times* in the last election, which he then won with 78 per cent of the vote. In the interview he had not said that he would enter a primary against Nixon, and in fact he had said that he wouldn't be right for it at all. Still, to be young, and to be a politician, is to have a sense of the possibility of all things, and it is also to think of all the other politicians who could get in your way. So, what is McCloskey *really* thinking? Another reporter wanders up to him and Vander Jagt. "Congressman McCloskey," he says, "have you had any trouble from the White House on that statement about Nixon?" "I said it because I *wanted* to make some trouble," McCloskey says, moving away, and looking leaner and tougher than ever. "It was a good answer to a bad question," the reporter says to Vander Jagt, "except that it didn't mean anything." Vander Jagt, who is young, and a politician, and gets mentioned himself when the Michigan Republicans count their candidates, looks speculative and says nothing at all.

It is early afternoon, and Vander Jagt is alone in his inner office with Bud Nagelvoort, his administrative assistant. Nagelvoort, who was a market research assistant for a baby food manufacturer in Michigan before he joined Vander Jagt in Washington, speaks very softly and very cautiously. He is superb at details and mustering all the small pieces of information that go into legislation, and like many politicians, Vander Jagt is not. Nagelvoort and Mrs. Martin are the only ones in the office who will call Vander Jagt by his first name, the secretaries always saying "Congressman," which is what Nagelvoort and Mrs. Martin do, too, when strangers are about. There is a deference shown to Congressmen, and one of the truly sad things in Washington is a Congressman who has just lost an election and must now forgo that deference forever. It is one reason so many of them never return to their districts, but linger on in Washington, wraiths around their old privileges.

The police stop traffic on Independence Avenue so a Congressman can cross and walk to the Capitol, even if it is only for one of H. R.'s quorum calls, and they will give him a number his secretary can call to fix his traffic tickets. The clerks at Washington National Airport will delay a flight for him, and the telephone company will put "The Honorable" after his name in the phone book. A Congressman can find someone to do something for him nearly any time, and while this may not corrupt him, it can easily confuse him. Politicians, like trial lawyers, want to be loved for themselves, but a politician can never be entirely sure that this is why he is loved, and so he has a harder time than most of us. Like all great institutions, official Washington sorts out men by their positions, and the positions determine the esteem one

man shows for another. There is nothing wrong with this, and the Sacred College of Cardinals does it too. In Washington, however, there are more positions to go around than there are in the College, and while the cardinals only get together once in a while, the Washington people keep seeing one another all the time. Since only the strongest among them do not judge themselves mostly by the way the others treat them, they are all greatly dependent on one another. Unhappily for a politician, however, he cannot be sure whether he is treated the way he is because of himself or because of his position, and so he carries a burden that most of us do not. In his soul, it vexes him.

Bud Nagelvoort, meanwhile, is shuffling pieces of paper: "Guy," he says, "we have this." It is a confrontation they have each day, Nagelvoort carrying in to Vander Jagt the most recent memos, proposals, requests, and stray pieces of information he thinks he should know about, and Vander Jagt, after considering each one, saying either yes, no, let me see it, or put it aside. This day there is a memo on the United States and Soviet space programs. Vander Jagt wants to see it. There is more information on the Administration plan to help the railroads. He hesitates, and Nagelvoort suggests that perhaps he has read enough about it in the newspapers. It is put aside. Someone will propose a bill to increase the number of family doctors. Vander Jagt is interested. There is a statement by another Michigan Congressman. He is not interested.

The Government Operations Committee will vote on something while he will be out of town. He will send a proxy. The committee is sponsoring a trip to Puerto Rico. He is interested. The offer expired last Sunday. Oh. There are clippings on the Hope College choir, new Republican officials in Michigan, and pollution in the Great Lakes, and there is a report on the Muskegon County sewage system. He is interested in all of them. There is a cable from a friend, a black artist, who is on a trip to Africa. He has just been invited for a showing in the Soviet Union. Should he go. Certainly. There are twenty-three pieces of paper, each one of considerable moment to someone or other, and if Vander Jagt stops to be thoughtful over each one he will do nothing else for the rest of the day. His talent, however, is to extrapolate, and then to decide quickly, which a good politician ought to be able to do. On larger matters, of course, it is more difficult.

When Vander Jagt voted against the supersonic transport, the White House was for it; Gerry Ford, being the House minority leader, was for it too, although like any sensible leader he had said no more than, "Guy, we'd like your support on this one." Furthermore, a factory in Muskegon fabricated metal parts for the SST, and the Republican county chairman even worked there. What if the chairman were to lose a stock option, or even his job, if the SST were canceled? It was the kind of question that can get to a Congressman and gnaw at him. Vander Jagt brooded, wavered, and still voted against the SST. Shortly afterward, he learned that the men who ran the factory had never cared for him anyway, and indeed had supported his opponent. This made his vote more tolerable to him, although he wished he had known about it before.

Now, of all things that can sway a Republican Congressman, a Republican White House is probably the greatest. The White House, however, is not one man; it is a warren, a separate culture, of assistants, special assistants, counselors, and all their deputies. Their rules are unclear, and their authority never exactly defined, but they can be the ultimate source of factors and dispensations.

A Congressman, for example, is supposed to be something of a public-relations man for his district, and Vander Jagt once worked White House sources for five months to be

allowed to present a pair of wooden shoes to President Nixon as a gift from the people of Holland, Michigan, who every year hold a Tulip Festival. (Vander Jagt also decided to give the President a recording made by an orchestra at Interlochen, a summer music camp in his district. When he walked into Nixon's office, the wooden shoes in one hand, the recording in the other, he said, "Mr. President, I'd like to present you with this wooden record.") In 1969, on a trip home, Vander Jagt met with some ecologists, urban planners, and Muskegon County officials who were trying to establish a new kind of sewage system to take the sewage that was wasting Lake Michigan and divert it to fertilize barren land. It was a stunning plan, with implications for every city in the country, and it was being delayed by opposition in the state capital.

When Vander Jagt returned to Washington, he met with the federal people involved, and then finally, and most importantly, with John Ehrlichman, Nixon's assistant on domestic affairs. Ehrlichman is one of the better people in the White House; his soul is not always torn by fear that his President might not be reelected, and he can consider an issue on its merits. Moreover, the Ehrlichmans are friends and neighbors of the Vander Jagts, and Ehrlichman's daughter is their babysitter, and from more slender circumstances than these the fate of nations, much less that of a sewage system, has been decided. Vander Jagt and Nagelvoort talked to Ehrlichman for two hours about the Muskegon proposal, and shortly thereafter the whole federal bureaucracy became more interested in it.

Nonetheless, the state government in Michigan still was not ready to accept it until Vander Jagt carried a letter from Nixon to Governor William Milliken at his summer home in Traverse City. The President told the Governor that he was personally interested in the sewage system, and although this was unlikely—the sewage system being a highly complicated project, and Presidents generally not having the time to study such things—it was *Realpolitik*. Subsequently, Milliken visited Muskegon, the state decided it supported the sewage system, and the federal government announced a \$2 billion grant to get it started. Vander Jagt came out ahead too, when the League of Conservation Voters, which is interested in how *effective* a politician is, named him as one of only seven Congressmen it was endorsing for reelection.

A buzzer has sounded, signifying that a vote is forthcoming on the House floor, and Vander Jagt leaves his office, falling into step, as he does, with his neighbor, Congressman John Buchanan. "John," Vander Jagt says, "I talked to my man at the White House, and his reading is that they couldn't get your bill out of the Rules Committee with cannons." "That's just not true," Buchanan says, "and I got an even more optimistic report only an hour ago." Vander Jagt speculates. This Administration has not distinguished itself when it has counted votes beforehand, and maybe it is wrong again. "Well, I hope you're right, John," Vander Jagt says. "I certainly hope so." Vander Jagt crosses Independence Avenue (the policeman stops traffic for him, of course) and he sees coming toward him a Congressman he does not like, and who, for that matter, does not like him. They ignore each other as long as they can, and then at precisely the same moment, and almost imperceptibly, they both nod. Vander Jagt keeps walking until he is in the shadow of the Capitol. "I'll never be able to get along with that guy," he says moodily. Vander Jagt quickens his pace, afraid he will miss the vote, and when he gets to the floor he enters on the Democratic, and not the Republican, side. The clerk reading the roll is up to Udall, and across the floor Vander Jagt sees the Republican doorkeeper, William Bonsell,

grinning, and then very gravely taking his index finger and poking himself in the eye with it. Vander Jagt stops and ponders. He is there to vote for a resolution that will limit the debate on a housing bill that afternoon to two hours. It is the 178th time this year he has appeared for a record vote, and he understands the resolution and knows how he will vote.

Sometimes, however, dashing in from a committee meeting, or getting up from lunch, or running in from the paddle-ball court, he has not known what the hell he was supposed to be voting on, and even if he has known, he has not known how he wanted to vote. Bills tumble over one another in the House, and some of them are so complicated that only the staff, and perhaps a few Congressmen, ever know what is in them. There is no way that even the most conscientious Congressmen can sort them all out, but they are supposed to try, and so the Republicans, at least, will turn to Bonsell. "How are we going?" Vander Jagt will say as he runs past him. "Well," Bonsell will say, "Les and Gerry voted yes"—Les being Leslie Arends, the Republican whip—or "Everyone's voting no," Bonsell will say, sounding a little cavalier about it. So, there is Bonsell, still sticking his finger in one eye and looking at Vander Jagt with the other one, only now he is grinning. *His eye.* Vander Jagt understands. "Mr. Vander Jagt," the clerk calls. "Aye," Vander Jagt says.

The afternoon is waning, and Vander Jagt is back in his office. A brigadier general from the Corps of Engineers, paying a courtesy call, was awaiting him when he returned from the House, and they exchanged pleasantries, the general saying that the Corps only took directions and did not set policy, and Vander Jagt agreeing, saying that of late the Corps had been doing a marvelous job against pollution. Then the two Democratic counsels to the Conservation and Natural Resources Subcommittee came by to talk about the 1899 law that Russell Train had called about in the morning. The two counsels are capable men who work well with Vander Jagt and Nagelvoort, but after they left, neither Vander Jagt nor Nagelvoort were exactly sure why they had come. The two counsels, after all, are Democrats, and they had been concerned about who would administer the 1899 law, and at bottom this is a political question. Vander Jagt and Nagelvoort did not quite see it as a political question, and they did not talk about it after the two Democrats had left, but that was because of the convention that allows party politics to be present in all things in Washington, while at the same time never acknowledged. It is a sensible convention, and it allows men to work together when they might otherwise be inclined to argue.

Now Vander Jagt is returning telephone calls. One is to a manufacturer in his district, who wants to object to an Administration plan for the Federal Aviation Agency. The second is to a Republican county chairman in Michigan, who wants his support on a candidate for the bench, and who finishes by saying, "Vander Jagt for Senator in '76." The third is from a friend, who wants a favor for his friend. The friend's friend is a Democratic county chairman in Vander Jagt's district, who has just discovered that he cannot get a loan from the Federal Housing Administration for a home on a private road. The Democrat thinks this is unfair, but he would feel foolish calling a Republican Congressman about it, and so has asked someone else to do it. Vander Jagt, who knows that perhaps a third of the homes in the county are on private roads, agrees with the caller and says that he will check into it. Now, it happens that Vander Jagt plays paddle ball regularly with the chairman of the FEA, and after a game sometime he will talk to him about it. The chairman may or may not think that the law

should be changed, but either way the Democratic county chairman will have his day in court. Vander Jagt says it is a perfect example of the way things get done in Washington.

The Members of Congress are scattered about the floor of the House. They are meeting in what is called the Committee of the Whole House, and they are about to consider the Housing and Urban Development Act of 1970. In appearance, Congressmen are disparate, although they like to have their suits well pressed, and there is an uncommon number of cufflinks among them. There are Congressmen who look like aging juvenile delinquents, and there are Congressmen who look like wheezing, belching rustics (and who, in fact, turn out to be experts in the arcanum of the tax structure, say, or the tariff). Here there is a Congressman with a spiky Kaiser Wilhelm moustache, who quotes Shakespeare, and over there is a Congressman who won two Olympic gold medals, and a little further on is a Congressman who steals money. There are Congressmen who can imagine themselves in no other place than the House, and there are Congressmen, a smaller number of them, who say the House makes their souls wither within them. Here is one, a younger man, exorcising his devils: "There are three kinds of Congressmen. First, there are the talented and gifted who will get out because they can't stand the system. Then there are the men with no talent, but they have a good job and so they stay. And then there are the men who are bright and they stay, but for the wrong reasons. The Rayburn dictum still works—if you want to get along, go along—but the more docile you are the more resentful you become, and it becomes corrosive."

There are Congressmen known by every man and woman in the House, and there are Congressmen so obscure they are known by hardly anyone. Their single devotions to the commonweal vary widely, and there are some easily indictable on the grounds of moral turpitude, but there is almost none who will break his word to another Congressman. That is considered the greatest of all sins, and the second greatest is to sell another Congressman on an absolutely lousy idea. Therefore, not everything produced by the House will have a great deal of merit, but very little will have no merit at all. It is a system that makes the House handle smaller issues better than it does larger ones; and a dedicated, conscientious man can work his will on small things, while he can wreck himself fighting for large things.

Here is a Congressman, complaining of his impotence: "When I first got here I was shocked at the rudeness that committee members would show to Administration witnesses, and then gradually I became that way myself. Look, I checked, and there are only three computers in the House, and there are 3,700 in the Executive branch. You wait two hours so you can get a shot in at the Secretary of Defense, and then it lasts only five minutes. The only thing you know is that you're getting — from him, and there's nothing you can do about it. My committee's staff is loyal to the chairman, and the chairman will go along with the Secretary. It gets down to where you ask yourself, Should you even bother going to a meeting when you know you won't get anything from it?"

So, on this day, assembled to consider the housing act, are people of many temperaments and persuasions, most of them seriously involved in their own separate projects and few of them with deep knowledge of a housing act, but none of them capable of much surprise at what their colleagues will bring forth. It is a big and complex bill they are dealing with, and it has been drawn up by the Housing Subcommittee of the Banking and Currency Committee. That is, the original bill was drawn up by the subcommittee, but at the moment Congressman

Robert Stephens is rising to offer what is called an amendment in the nature of a substitute, which is 132 pages long and which would replace the subcommittee's bill, and he is doing it with the subcommittee's approval. Now Congressman Charles Jonas stands, and asks if he can offer three amendments to the Stephens amendment, and he is told he can, but that he must wait. Congressman Frank Brasco, however, is on his feet, offering an amendment to the Stephens amendment, and it is accepted. Now Congressman Garry Brown is up, having waited so far for tactical purposes, and he proposes a substitute amendment for the Stephens amendment, which, remember, was a substitute for the subcommittee's bill.

Congressman Benjamin Blackburn, in turn, rises to offer an amendment to the Brown amendment, and then Stephens is up again to say that he thinks Congressman Blackburn is attaching his amendment to the wrong other amendment. Then Congressman Olin Teague is recognized so that he can propose his amendment to the Stephens amendment, and Congressman Blackburn is making a parliamentary inquiry: whatever happened to his amendment? Congressman Robert Sikes then offers an amendment to the Brown amendment; if that amendment loses, he says, he will propose it for the Stephens amendment.

At this point there can be no more than a few members who clearly know what is happening, and things are not helped greatly when it is announced that "the question is on the substitute amendment, as amended, offered by the gentleman from Michigan for the amendment in the nature of a substitute offered by the gentleman from Georgia." It is a time for visceral instincts, and Vander Jagt knows only that, respecting Garry Brown as he does, he will vote for whatever it is he is proposing. Brown, meanwhile, has demanded a teller vote, and he and Congressman William Barrett, who opposes his amendment, are appointed as tellers.

They withdraw up an aisle, and the members who support Brown, the aye votes, start to pass by in single file. Brown taps himself on the chest, saying "One," and then taps each Congressman on the back as he passes by: "two, three, four." Barrett, as is the custom, is keeping his own count, and so they are standing there in the aisle, antagonists in a kind of numbers game, with the other Congressmen running by as markers. "Ninety-four," Brown says finally, and then Barrett starts counting his no votes. He is up to ninety-six, and waiting, when five more Congressmen, found and summoned from God knows where, come running up the aisle, their arms outstretched, and point first to Barrett, and then to Brown, and then back to Barrett again. "One hundred one," Barrett says. In fact, he is confused, and so is Brown, and so are two of the five Congressmen, who had wanted to be on Brown's side. It does not matter, of course, because Brown would still have lost; but he is a professional, and so his pride is a little touched.

However considerable his talents, Vander Jagt is among the most forgetful of men, seldom wearing an overcoat, for example, because he knows he will leave it somewhere behind him, and often leaving home in the morning without his wallet, keys, or anything else that might persuade a policeman he is not a simple vagrant. Moreover, no matter how readily he may grasp a complicated piece of legislation, he is baffled by nearly any inanimate object, and by timetables and maps as well. On Election Day he was minutes getting into and out of the voting booth because he was defeated by a lever, and when he was new in Washington he once had to call the police to guide him back to his home because he had more or less forgotten the way. Recognizing these things, his staff compensates for them, and now Vander Jagt is sitting at his desk while a secretary reads from a list, "Keys?" she

says, and Vander Jagt pats his pocket. "Tickets?" she says, and he picks up the envelope in front of him. Vander Jagt is leaving town later in the evening so he can speak in Chicago the next day, and the secretary is leaving nothing to chance. A call is put through from his outer office, and Vander Jagt gets on the phone to talk to a friend at the White House. The Rules Committee has tied, 7 to 7, on Buchanan's bill for the new consumer-protection agency, and while this means the White House won't be able to get it now, it also means that it won't have to accept Democrat Rosenthal's bill, and for this it is grateful.

Vander Jagt is not scheduled to leave Washington until 8:00 p.m., and there are now more than two hours stretching in front of him, which means that he has time to go to a party. If Vander Jagt chose to, he could go to a party, or a reception, every night, a Congressman always being in demand for something, but he has long since learned that there is no profit in this, and so he exercises discretion. Tonight the National Space Club is holding a reception in the Caucus Room of the Cannon Office Building so that it can present trophies to Wernher von Braun and the widow of Dr. Robert H. Goddard, and as a member of the House Committee on Science and Astronautics, Vander Jagt has been asked to attend.

The president of the Space Club is a man from Texas Instruments, and the first vice president is from Boeing, and the host for the evening is Congressman George P. Miller, chairman of the Committee on Science and Astronautics. It is a lobbying effort, and like most lobbying in Washington it is terribly *en famille*. (Washington, in fact, is terribly *en famille*.) When Vander Jagt enters, the first person he sees is Von Braun. "Wernher," he says, "the last time I saw you, you were leading a conga line in New Orleans." Von Braun smiles, acknowledges the memory, and then he is talking to someone about the stars, a fine flicker of fanaticism lighting his face, and Vander Jagt is plainly impressed. "Damn it," he says, "I know it's emotional, but I want to be exposed to the emotional part of it." A lobbyist wanders by, and tells Vander Jagt that the word is that George Bush of Texas will be the next head of NASA. (Two days later, Bush is appointed Ambassador to the United Nations.) Bill Anders, who flew an Apollo spacecraft around the moon, falls into conversation, and he says that when he speaks to college students he emphasizes the *spiritual* part of his journey. "Guys," he says, "when I looked back at the earth, then, boy, I knew I wasn't the center of things." In the corner of the room, Von Braun is introducing his young son to Neil Armstrong, and Mrs. Goddard is talking about her late husband, and a Texas Congressman is hustling a secretary from NASA. Vander Jagt is feeling warm and sustained, and as he leaves to go to the airport he begins to talk about his vision of a federal medical academy. He has at the moment a great sense of the possibility of all things.

## RETURN TO ISRAEL: A REPORT

HON. JONATHAN B. BINGHAM

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Wednesday, April 7, 1971

Mr. BINGHAM. Mr. Speaker, my wife and I recently returned from a privately financed factfinding visit to Israel—our third trip to that inspiring country since 1952. I have written a report to the constituents of the 23d Congressional District of New York, which I represent, on

some of our experiences and observations, particularly with regard to conditions in areas now under Israeli control due to the outcome of the 1967 war. These reports were recently published in two installments in the Riverdale, (N.Y.) Press. I believe that some of the observations may be of interest to the many Members of Congress and readers of the RECORD who share my concern over developments in the Middle East. My report, therefore, follows:

### BINGHAMS ARE OPTIMISTIC ON MID-EAST PEACE PACT

(By Jonathan B. Bingham)

On a recent six-day visit to Israel, my wife June, and I were once again heartened by the remarkable achievements of this remarkable country.

When we were first there, in 1962, we were impressed that Israel was surviving at all, faced as she was with seemingly impossible economic problems. We wondered how the Israeli leaders could sleep, not knowing how they were going to pay for the next shipment of grain coming into Haifa harbor.

In 1964, we were struck by the amazing economic and industrial growth that had occurred in such a small and vulnerable land. We saw the new aqueduct built to carry water from the upper Jordan to the Negev, and the new cities created to accommodate tens of thousands of immigrants from many parts of the world.

In February 1971, what impressed us most was the calm and courageous way in which the Israelis are moving toward a new era of peace and stability, hopefully, for the Middle East. They know that such an era is not likely to come tomorrow or the next day, but it is, they are confident, on the way. The trends are in the right direction.

The Israelis, quite properly, take a long view. With the perspective of thousands of years of history, they are not going to be rushed into accepting arrangements for a peace settlement that might collapse in five, ten or 20 years and leave them once again exposed.

All the same time, I believe our State Department is wrong in giving the impression that the Israelis are being rigid and inflexible in the face of a new spirit of compromise on the part of Egypt. The Israelis are, indeed, impressed with the drastic change in Egypt's attitude since the death of Nasser, but they are not for that reason going to be pressured into agreements that would be unwise for the future.

In particular, they do not want to be in a position of having to rely on assurances made by powers such as the Soviet Union and France; they have had sad experience with the unreliability of some international "guarantees" in the past.

Another trend that is highly favorable is the declining importance of the Palestinian terrorists. King Hussein has been able to reassert control in his own country. President Sadat of Egypt has told the Palestinian groups in no uncertain terms that they will not be allowed to prevent a peace settlement.

Another factor which is weakening the terrorists is the extraordinary job the Israelis are doing in the West Jordan areas and in the Gaza strip. Tens of thousands of Arabs from the "West Bank" and from the Gaza strip are working in Israel at far higher wages than they have ever had and learning that they can live in peace and prosperity side by side with the Jews they were brought up to hate and fear.

### ISRAEL TODAY

(By Jonathan B. Bingham)

Like other recent visitors to Israel, June and I were astonished at the open borders

that exist, not only in Jerusalem, but between Israel proper and the "West Bank" areas. In Jericho, Bethlehem and Ramallah we saw only occasional Arab policemen, no Israeli troops. The Arab policemen wore the only guns we saw.

We talked with distinguished Palestinians who want to see an independent Palestine or a Palestine-Jordan federation, but who are confident that such an Arab state could not only live in peace with Israel, but could benefit from Israel's thriving and labor-scarce economy.

Most astonishing of all is the situation in the Gaza Strip itself. This area of 350,000 inhabitants, of which 200,000 are in refugee camps, was totally stagnant under the Egyptians, a breeding ground for bitterness and hatred.

Today there is no unemployment. Anyone who wants to work can get a job. In spite of the efforts of the terrorists to stop them by occasional grenade attacks, 16,000 Arabs from Gaza are today working in Israel, commuting daily or weekly.

Thousands more are employed in orange-packing plants and other local industries, financed by the Israelis and utilizing a new power line.

The increasing fluidity of the situation—and the consequent growing of mutual confidence and understanding—is illustrated by the fact that Arabs from Gaza can readily get permits to enter Israel and can travel across Israel to the West Bank area without any permits whatever. On the highway down to Jericho, we passed perhaps 50 trucks loaded with oranges from Gaza on their way to Jordan to be sold there!

In recent months more and more Arabs from outside have travelled to Israel, especially to visit the holy Muslim places in Jerusalem. In my judgment, all of this activity may in time be more important to the future stability of the area than the documents that the statesmen may eventually sign.

Here are a few additional items, in a different vein:

I used to complain that the Israelis don't understand about good Jewish cooking, but I'll have to stop saying that. The General in command of the northern Sinai gave us a luncheon with his staff at his headquarters in Gaza. The food was excellent and might have come from a Riverdale delicatessen.

The Israelis do things so well that it's almost a relief when you see some one act like a schlemiel. In Gaza our car was escorted by Israeli jeeps fore and aft, out of an abundance of caution. At one point on the road the Colonel in command, who was riding with us, suddenly told our driver to stop, because he thought he saw an Israeli soldier picking an orange from a roadside tree.

This turned out not to be the case, but while we were stopped, the forward jeep sped ahead. About a mile down the road, one of the soldiers looked around—and back they came, somewhat sheepish.

The Church of the Holy Sepulchre has been restored by the various church organizations responsible, and is far brighter and less cluttered than it used to be. The magnificent Muslim shrine known as the Dome of the Rock is in the care of Muslims. Access to these holy places is of course free to all. This is in sharp contrast to the period from 1948 to 1967, when the Jordanian government barred Israeli Jews from the revered Western Wall.

These various activities are being undertaken by the Israelis, not because they want to hold on to Gaza or most of the West Bank, but because they want to show what open borders and Arab-Jewish cooperation can do for all concerned. And of course word of what is happening gets out to the rest of the Arab world and has its impact.

NATIONAL HOUSING CONFERENCE  
RESOLUTIONS

HON. HUBERT H. HUMPHREY

OF MINNESOTA

IN THE SENATE OF THE UNITED STATES

Thursday, April 15, 1971

Mr. HUMPHREY. Mr. President, the National Housing Conference is recognized as a major force on behalf of the public interest in the promotion of decent housing for all our people and in the revitalization of our cities. For many years I maintained a close association with the conference, including service on its board of directors. I found this experience highly informative and thoroughly rewarding, and I greatly appreciated the opportunity to address the 40th annual meeting of the conference, held recently in Washington, D.C. Senator SPARKMAN graciously included the text of my remarks in the RECORD of March 11, 1971.

On March 7, 1971, the membership of the National Housing Conference adopted a series of important resolutions on policies and programs in housing and urban development. This extensive and in-depth study of Federal programs and legislation merits close attention by all Members of Congress.

I ask unanimous consent that the complete resolutions be printed in the

There being no objection, the resolutions were ordered to be printed in the RECORD, as follows:

THE 1971 NATIONAL HOUSING CONFERENCE:  
RESOLUTIONS ADOPTED BY THE MEMBERSHIP  
OF THE NATIONAL HOUSING CONFERENCE AT  
ITS ANNUAL MEETING, MARCH 7, 1971,  
WASHINGTON, D.C.

SUMMARY OF MAJOR POLICIES AND PROGRAMS  
RECOMMENDED IN RESOLUTIONS OF NATIONAL  
HOUSING CONFERENCE

We present the following summary of some of the major policies and programs which are recommended in the resolutions adopted by the membership of the National Housing Conference at its annual meeting on March 7, 1971 in Washington, D.C. These are covered in greater detail in this report as recommendations under the appropriate chapter headings listed in the index.

Full funding and use of all authorizations

1. The Administration's appropriation requests for housing and related urban development programs for the Federal fiscal year 1972 beginning July 1, 1971, are grossly inadequate in relation to demonstrated needs and backlog requirements of communities and private enterprise, as shown by the following cuts:

a. The utilization of contract authority for low-rent public housing would be reduced from \$394 million authorized for fiscal year 1971 to \$201; and to \$207 million for fiscal 1972 from \$417 million authorized for fiscal 1972 (which includes the \$193 million carryover from fiscal 1971).

b. With respect to housing for lower income families, the Administration requests contract authority for interest subsidies under the Section 235 and Section 236 programs of only \$175 million each as against Congressional authorization of \$25 million additional for fiscal 1971 and \$200 million for fiscal 1972 for each program.

c. With respect to urban renewal, the budget confirms that the \$200 million additional capital grant funds appropriated for fiscal 1971 have been frozen as to commitment in fiscal 1971. The budget proposes that this

\$200 million be made available in fiscal 1972, together with a new appropriation request for \$600 million.

d. With respect to the model cities program, the budget requests no new appropriation for fiscal 1972. Since the budget was published, the Administration has announced the release of \$148 million of impounded model cities appropriated funds in fiscal 1971 and \$288 million of such funds in fiscal 1972. Even at this rate, a total of \$296 million of model cities appropriated funds would be withheld by June 30, 1972.

e. With respect to water and sewer grants, the budget confirms that the \$200 million in additional funds appropriated for fiscal 1971 have been frozen as to commitment in fiscal 1971. The budget proposes that one-half of these frozen funds be released or commitment in the first six months of fiscal 1972. No request is made for additional appropriations.

f. The budget message proposes new legislation consolidating urban renewal, model cities, rehabilitation loans, and water and sewer grants in a new Community Development Program, effective January 1, 1972, upon which date the four categorical grant programs would be phased out as to new commitments. The budget requests a supplemental appropriation of \$1 billion for the new Community Development Program.

If enacted, the new Community Development Program presumably would also terminate large outstanding unappropriated Congressional authorizations, namely: \$1,927 million in urban renewal grants; \$817.5 million in model cities supplementary grants; and \$1 billion in water and sewer grants, in addition to \$100 million in unexpended water and sewer appropriations.

2. The Budget actions taken in freezing or cutting HUD funds for various programs demonstrate the need to grant a higher priority in the allocation of national resources to the solution of the problem of housing and community development. In view of the current critical housing needs and the financial crises in the cities, NHC urges action by the Congress and the Administration to assure that the full amount of funds authorized by legislation or appropriations will be released and spent for housing and community development programs.

Housing program to meet all needs and  
achieve economic integration

3. NHC reaffirms its support for a single, consolidated housing assistance program to serve all families who cannot afford the cost of housing on the private market. NHC believes that such a consolidated program for assisted housing is necessary: to eliminate the gaps in coverage created by the separate income limits, construction and design standards, income definitions, and rent requirements; to reduce the administrative workload and encourage wide participation of housing sponsors and developers; and to promote a policy of economic integration in assisted housing which will eliminate the segregation of low income families in housing for the poor.

4. The housing assistance program should be based on a variable single subsidy which would cover the total deficits representing the difference between (i) full operating costs and debt service, and (ii) the ability-to-pay of each family living in the housing up to the maximum established charge.

5. There should be a uniform definition of income with deductions of the types previously allowable, along with a reasonable ratio between income and required housing payments.

6. As a matter of principle, NHC recommends that there be no income limits for admission to assisted housing. NHC believes that the most desirable and workable criteria for the determination of income eligibility for such federal housing assistance is the

ability of a family in a local area to pay the total cost of well-designed—but not luxurious—housing developed in that area, under an appropriate income definition and a reasonable ratio between income and required housing payments. A family should receive housing assistance to the extent that it cannot afford the full cost of such housing.

7. If the Congress decides that it is necessary to include an income limit on legislative authorizations and funding for subsidies to assist housing, we recommend the following program relating to income limits (instead of the one described in the preceding paragraph). The following program also includes a subsidy formula which is necessary to achieve economic integration and fill present gaps and areas of unmet need.

a. The income limits for 80% of the dwelling units should be the median income in the area, with authority in the Secretary to exceed the median by the amount required in order to meet the housing needs of the locality based on its income and cost factors. There would be no income limit for 20% of the units in order to achieve economic integration and enable housing developments to serve a cross-section of income groups.

b. There would be a flexible subsidy formula which would eliminate gaps in our housing program and assure that there is sufficient subsidy available to meet the housing needs of people at different income levels. In terms of the ratio of income to housing payment, we recommend that all families be required to pay 20 percent of their income for housing. The amount of subsidy to a family would be the amount required to meet the housing expenses remaining after the occupant paid 20% of his income for the housing. The amount of subsidy allocated for an assisted housing development should be based upon making dwelling units available to a cross-section of income groups, as follows:

(i) Up to 20% for occupancy by families or persons whose incomes are much below the maximum income limits and who require subsidies at or above the amounts which have been available for rent supplements and public housing. Based on their payment of 20% of their income for housing, this group would be eligible for a subsidy in the amount required to meet the remaining amount of housing expenses. To the extent needed, this would cover the principal and interest payments on the mortgages and a part of the operating expenses.

(ii) Up to 20% for occupancy by families or persons who would not be subject to an income limit. We propose to provide a subsidy incentive for such families to live in an assisted housing development with families of lower incomes. For this group, there would be a subsidy of 2%. At today's market interest rate, these people would pay an effective interest rate of 5% plus the 1/2 of 1% FHA premium. People in this group would pay 20% of their income for housing expenses up to a "maximum established charge" which would reflect the 2% subsidy.

(iii) The remainder for occupancy by families or persons who are at or below the median or higher income limit established by the Secretary and who require subsidies in the form of interest assistance. Based on their payment of 20% of their income for housing, this group would be eligible for a subsidy in the amount required to meet the remaining amount of housing expenses. To the extent needed, this could cover all of their interest and the FHA insurance premium. According to their varying needs, these people would pay a monthly charge ranging from 0% interest (with no FHA insurance premium) up to the maximum established charge which would reflect a 2% subsidy.

8. There would be a periodic reexamination of income only for occupants who are paying less than the maximum established charge. If

their income increased, they would pay 20% of the larger income, but not more than the maximum established charge. With such a charge which reflects a 2% subsidy and an effective current interest rate of 5%, there would be an incentive for residents to remain in the housing community even though their incomes increase. As a matter of public policy, this is vitally important in order to achieve greater stability in housing communities and to maintain their economic integration. If people feel that they are permanent residents of a housing development, they will take better care of it.

9. By serving a broader segment of the market through economic integration, a housing development will be better able to achieve racial integration.

10. The past practice of committing maximum subsidies has resulted in unused contract authority because the commitment was based upon the maximum amount needed for everyone. The Senate Committee recognized the undesirability of pursuing this practice. Under our proposed program, the commitment of contract authority would be based on the estimated need based on serving a cross section of income groups. There should be a national reserve of a reasonable amount of contract authority for commitment to meet over-runs in subsidies above the estimates. This reserve would be only a fraction of the amount of unused authority under the present system where all commitments anticipate a maximum subsidy for everyone.

11. Eligible sponsors should be broadened to include local housing authorities, regional or state agencies, in addition to those now eligible; also local housing authorities should be permitted to act as mortgagees, as is now done by an increasing member of state agencies.

12. NHC supports the principles and objectives of the Administration's proposals for simplification of the many federal housing programs, but only if the legislation includes the recommendations for a new flexible formula for subsidies, better income-to-rent ratios, achievement of economic integration, and all of the other amendments described in these resolutions.

13. If there is new legislation for the consolidation of housing programs and new formulas as to income limits, subsidies, cost limits and other matters, we emphasize the urgent need to continue operations and housing production under the existing laws. During the tooling-up period under the new legislation, and until the new programs become fully effective and operational, all existing programs should continue so that there will be no interruption in HUD operations in view of the need for a higher level of production during the coming years.

14. The program recommended in these resolutions would make housing available to families of all incomes. There would be no gaps or areas of unmet needs in our housing programs. Each family whose income is too low to obtain decent housing would receive the amount of assistance it needs to get such housing. We must reach the unserved income group below the level now eligible for public housing or rent supplements. Likewise, we must avoid a gap or area of unmet need above the level now eligible for moderate income private housing assisted with federal interest subsidies or below-market interest rates. To achieve these objectives we urge the adoption of this program.

*Equal housing opportunity and freedom of choice*

15. We should provide an opportunity for freedom of choice in our housing programs. The choice of individual or cooperative homeownership or rental housing and the choice of city, suburban, new town or country living must not be limited by race, color, religion or national origin. With housing in each development available for a cross-section

of income groups and a broader market, we can provide freedom of choice to people of all incomes to select where they want to live.

16. Community discrimination against subsidized housing should be removed as it is a most serious constraint on the availability of building sites for low and moderate income housing. We recommend legislation which would prohibit States and local public bodies from discriminating against housing subsidized by the Federal Government, whether through legislative or administrative action. The legislation should authorize suits by interested parties, as well as the Attorney General, to enjoin such discriminating action. The legislation should be strengthened by providing for federal pre-emption of local zoning upon an appropriate finding by the Secretary of HUD, so as to require opponents rather than proponents to initiate legislation.

17. We disagree with the President's statement that government encouragement of racial integration in the suburbs is not in the national interest. We believe such encouragement is in the national interest. We urge the Administration to take affirmative action to assure the availability of decent housing for all Americans, regardless of race, color, religion or national origin.

18. The Federal Government should be authorized to undertake housing developments as a last resort where no other agency or developer is meeting the need in an area for low and moderate income housing.

*Community development program under urban renewal*

19. NHC supports a total community development program under the urban renewal program which would be a comprehensive program prepared by the local community, including all physical developments, rebuilding and rehabilitation activity, and eligible for federal funding. The plan, if approved, would receive federal funding on a yearly increment basis, similar to that in the Neighborhood Development Program.

20. In the Community Development Program, the locality's application to HUD would contain a three year forecast of financial assistance needed, including a one year budget and program, and a request for a second-year reservation of funds. In approving the locality's application, HUD would provide for a three-year Federal authorization, with one year contract, a second year advance reservation, and a third year forecast. They would be updated annually.

21. The activities proposed for inclusion in a Community Development Plan extend greatly beyond those now eligible under traditional urban renewal or the Neighborhood Development Program.

*Urban growth and new communities*

22. NHC urges the full utilization of the Urban Growth and New Communities Development Act (Title VII of the Housing and Urban Development Act of 1970) to help take care of the increased urban population, relieve city congestion and provide building sites at reasonable prices. There is an urgent need for new communities which are carefully planned with housing, schools, jobs, hospitals, recreational facilities and open spaces.

23. NHC encourages programs of home ownership. This includes cooperative ownership of multifamily housing which produces better communities, since the control and responsibility rests with people who have a stake and pride in their own housing development.

24. Federal grants should be made to municipalities and public agencies to cover impact costs of providing educational, health and other services which result from the location of housing developments in an area. The Federal grant should cover the additional costs involved which cannot be met

from collections of full taxes or their equivalents on the project. We recommend payment of full taxes or their equivalents on public and other assisted housing.

*General Revenue Sharing*

25. NHC recommends against any use of the new General Revenue Sharing Plan to reduce Federal grant funds which are urgently needed—and should be increased—for existing programs including: urban renewal; model cities; mass transportation; water and sewer facilities; new communities; neighborhood facilities; open space, urban parks, and urban beautification; health; education; training; or other vital needs. In short, the General Revenue Sharing Plan should represent additional funds and there should be necessary increases and full funding for all existing Federal grant programs to meet housing and urban needs.

26. NHC favors the President's proposal for a \$5 billion initial appropriation for the General Revenue Sharing Plan in order to meet the urgent needs of States and cities, many of which are facing financial crises. As to increases above \$5 billion in later years for General Revenue Sharing, NHC recommends a formula in distributing these additional funds which would encourage and reward local governments that meet the national objective of providing housing for the low and moderate income groups.

*Special Revenue Sharing*

27. In his Special Message to the Congress on March 5, the President recommended his Special Revenue Sharing proposal for Urban Community Development:

"The size of this fund in the first full year of operation would be \$2 billion. Cities would be able to spend their money as they see fit, provided only that they used it for community development purposes.

"The four elements which would be combined to form this new fund would be the current programs for urban renewal, Model Cities, water and sewer grants, and loans for the rehabilitation of existing structures."

28. As to the amount of the appropriation requests for fiscal 1972 compared with the actual appropriations for fiscal 1971, the figures are as follows: the total authorizations available for fiscal 1972 for these four programs is \$3.75 billion, but the Administration's total appropriation request for fiscal 1972 for these four programs plus the new Community Development Program is only \$1.64 billion.

29. NHC believes that Federal grants should provide incentives to promote national programs and objectives relating to housing and community development. The adoption of the model cities program by almost 150 cities was largely attributable to the Federal program of planning grants and supplemental grants for model cities. Likewise, the participation of over 1200 cities in the urban renewal program is largely attributable to the Federal program of planning grants and program grants for urban renewal.

30. With respect to the proposed special revenue sharing program, we are deeply concerned that many of these programs—with their emphasis on serving the underprivileged and racial minorities—would be prejudiced by the proposed consolidation of the categorical programs into a single community development grant program under which each local government would determine which activity it elects to pursue. To provide incentives which assure the achievement of national goals and programs, we favor the continuance of categorical grants for each of the four special purposes: urban renewal; model cities; sewer and water; and rehabilitation.

31. However, we are in full agreement with the President's principle that Federal grants should be made available for use by states and local governments without Federal ac-

countability or program supervision, except for (1) compliance with non-discrimination obligations and (2) the use of the funds for the specific purposes of the grants with the continuance of the four categorical grants which we recommend. We urge that this principle be applied to these categorical grant programs so that they would not be subject to Federal program supervision. In short, there would be block grants for each of the four categorical programs, with the use of the funds limited only to the particular purpose of each grant and without Federal program supervision.

32. In the proposed Special Revenue Sharing program the President recommends that there be no matching grants. We oppose Special Revenue Sharing for Urban Community Development. However, if there were adequate funding for the categorical grant programs, the principle of no matching local grants would be meaningful as applied to categorical grants. In that event, we would recommend that no matching grants be applied in the continuance of the four categorical grant programs.

#### CHAPTER A. GENERAL STATEMENT OF PROBLEMS AND OBJECTIVES

1. Since Congress enacted the Housing and Urban Development Act of 1968, the Federal Government has assumed increasing responsibility for housing production. Nevertheless, from 1968 to now the nation has suffered a precipitous decline in its housing production. Therefore, while careful studies underlying the goal in the 1968 housing act indicated that at least 2.6 million homes are needed annually over the next ten years to meet our housing shortage, our record of housing production since then has been disastrous. For example, in 1968, we produced about 1.6 million homes; in both 1969 and again this past year, we only produced about 1.4 million homes or little more than half our housing need and goal. The percent of these homes financed in some manner by the Federal Government has steadily increased while conventionally financed housing decreased. Recently some experts have predicted that housing starts will rise to over 1,750,000 in 1971. We can achieve housing starts of 2,000,000 in 1971 and accelerate production thereafter to achieve our annual housing goals if prompt action is taken to carry out the recommendations in this report, including prompt enactment of additional legislation and full funding for all programs under past and future Congressional authorizations.

2. We are faced with an anomalous situation. There has been an increase in the Federal Government's contribution to housing and an increase in assisted housing's proportion of housing production, but at the same time there has been a decline in total housing production. These Resolutions are addressed to identifying once again our continuing housing crisis, reviewing our efforts to ameliorate that crisis, and suggesting improvements of existing programs. This Report recommends programs designed especially to:

(a) Provide good homes for people of all incomes in wholesome living environments which are in keeping with our Nation's standards and aspirations;

(b) Take action to revitalize our cities and save them from blight and obsolescence; and

(c) Expand social programs, services and job opportunities to improve the quality of American life.

3. America's cities are in a crisis resulting from the decay of decades and from failure to take action which will improve the quality of American life. Many people are ill-housed and live in despair and disillusionment. The need for decent housing is at the heart of our urban crisis. We must take vigorous and immediate action toward achieving our goal of providing good homes and good neighbor-

hoods for all who are ill-housed. It is not enough to build new housing or rehabilitate existing housing. At the same time there must be an expansion of social programs and services for the people.

4. As a result of past fiscal restraints and past tight money policies, housing has suffered more than any other segment of the economy. During the 1966 period of tight money, the Council of Economic Advisers—in its 1967 Report—said that the housing industry bore 90% of the burden of credit restraints. We call for an end to restrictive economic policies that impose burdens on housing to control our economy. It is not equitable either to deprive people of housing or to make them commit to long term mortgages bearing unfair and unreasonable interest rates.

5. Past increases in interest rates and housing costs have excluded people from the housing market who need homes but can no longer afford them. The situation was further aggravated by the increase in interest rates to 8½% on loans under the FHA and VA programs. During the first 10 months of 1970, the Consumer Price Index shows that the home ownership component had climbed 9.1% as compared with a 4.6% increase for the total Index. The rate of cost increases in housing has been double the rate of increase in the total Consumer Price Index. As a result of this increase in costs, housing is beyond the reach of more families. Thus, 80% of all new housing units produced under \$15,000 are mobile homes. In addition, five years ago three out of every five Americans could afford to own their own home. With high interest rates, only two out of every five Americans could afford to own their own home.

6. There have been recent improvements in the money market and reductions in interest rates as evidenced by the cut in the Federal Reserve discount rate to 4½% and the cut in the prime rate of major banking institutions to 5¼%. NHC applauds the recent actions by the Administration in three reductions of the FHA-VA interest rate to a maximum of 7%. We urge that the Administration continue to act from time to time to make further reductions in this maximum interest rate as promptly as possible. With the measures recommended in this report to help achieve further reductions in interest rates, particularly in housing for those of middle and lower incomes, we hopefully look forward to the time when we can return to a maximum rate on FHA-VA mortgages of from 6% to 5% which we had for many years. As interest rates are reduced, it is necessary to take measures to minimize or eliminate discounts as recommended elsewhere in this report.

7. While the law approves an average national goal of 2,600,000 units annually during the next ten years, NHC urges that the average national goal should be 3,000,000 units a year. NHC agrees an average of 2,000,000 units should be built annually for those above the low and moderate income groups who do not need federal assistance. However, instead of an average of 600,000 units annually for low and moderate income housing, NHC recommends a goal of at least 1,000,000 units annually for these income groups—of which half would be for the low income group. Due to the present high housing costs, many families need some form of housing assistance even though they could afford housing without such assistance under normal conditions. Accordingly, this report recommends several special measures which are required at this time to enable such families to obtain adequate housing at monthly charges which they can afford.

8. In 1949, Congress established the national goal to provide a decent home and good environment for every American family. Now, 22 years later, we are no closer to achieving that goal. Instead of that goal be-

coming a reality, it is a promise which appears further from fulfillment now, due to the greater housing shortage and rising housing costs. There is a growing gap between the monthly cost of housing and the ability-to-pay of families. This is requiring them to pay higher and higher percentages of their income for housing. There is a special burden on very low income families who often spend more than one-third of their earnings to get housing which is overcrowded or substandard. Every American family has a right to obtain decent housing within its means and in a neighborhood of its choice. We need to give the highest priority to fulfill our commitment to this goal. In these resolutions we describe in detail all of the programs and actions required to achieve this goal.

9. In these times when there are so many competing demands for the use of federal funds and national resources, it is most significant that Congress in the 1968 Act declared that these programs should have the highest priority. This Congressional determination is so important that we quote it in full as a necessary introduction to these recommendations:

"The Congress declares that in the administration of those housing programs authorized by this Act which are designed to assist families with incomes so low that they could not otherwise decently house themselves, and of other Government programs designed to assist in the provision of housing for such families, the highest priority and emphasis should be given to meeting the housing needs of those families for which the national goal has not become a reality; and in the carrying out of such programs there should be the fullest practicable utilization of the resources and capabilities of private enterprise and of individual self-help techniques." (Emphasis added.)

For those families for whom the national housing goal has not become a reality, their housing needs should be met by providing them the opportunity to live in housing developments where economic integration is being achieved under the program recommended elsewhere in this report.

10. This declaration by the Congress recognizes the need for a drastic realignment of past priorities in our federal budget and expenditures, since these housing programs were given a lower priority than other less urgent programs. Now the Congress had declared that these programs should be given the highest priority and there is a federal commitment to take all action necessary to achieve the goal of providing decent housing for families with incomes so low that they could not otherwise decently house themselves. To translate this highest priority into reality takes firm and courageous action—both by Congress and the President. NHC urges that action be taken to carry out this mandate.

#### Outline and explanation of succeeding chapters of report

11. In succeeding chapters of this report: first, we summarize the existing legislation under each program and the authorizations in legislation and appropriation acts; second, we present our recommendations for legislative amendments and additional authorizations in legislation and appropriations; and third, we present our recommendations for administrative actions.

Sometimes the same subject matter is covered twice under different headings. Thus, even though some subject matter is covered in Chapter D relating to the Administration's Housing Bill and our proposed amendments thereto, we felt it necessary to cover the same subjects separately with respect to each of the existing legislative programs, such as: public housing; interest assistance under Section 235 and 236; rent supplements and urban renewal.

We cannot forecast whether Congress will

accept the Administration's recommendation to consolidate a number of programs as proposed in the Administration's bill. Therefore, in order to make this report meaningful and helpful in the legislative process, it is necessary for us to separately identify our recommendations:

(a) As we have done in Chapter D if the Congress accepts the Administration's proposal to consolidate programs; and

(b) As we have done in the succeeding Chapters E to DD if the Congress does not accept the Administration's proposal to consolidate programs.

#### CHAPTER B. ACTIONS NECESSARY TO ACHIEVE OUR GOALS

1. *Second Annual Presidential Report.* The Housing and Urban Development Act of 1968 required an annual Presidential Report to Congress on progress toward meeting housing goals. NHC is in full accord with the emphasis placed by the Second Annual Report<sup>1</sup> filed by President Nixon (President Johnson filed the First Annual Report) on the necessity of full funding for all programs in order to meet the housing goals established by law. However, NHC believes that the report failed to propose other necessary solutions for some of the basic problems which must be resolved if these national goals are to be achieved.

First, the assurance of adequate financing, at reasonable cost for the necessary expansion of total housing production, particularly for the production of low and moderate income housing;

Second, the provision of adequate sites at reasonable prices to accommodate this unprecedented production growth of housing on a well-planned and economic basis; and

Third, the adoption of the additional measures recommended in this report.

NHC deplors President Nixon's decision to include all mobile homes in production which is counted toward meeting our housing goals. As stated in Chapter BB on Mobile Homes, NHC believes that the only mobile homes that should be counted toward our housing goals are those determined by FHA to meet all design, construction and durability standards so that they become eligible for long-term mortgage financing of 30 years on homes and 40 years on multifamily housing.

2. *Full Funding and Increases for All Programs.* The first imperative for meeting our housing goals is full funding and full use of all authorizations contained in the housing laws. We regret that President Nixon did not request full funding and advance authority for the interest assistance programs under Sections 235 and 236 and Rent Supplement Program for fiscal year 1972. In addition NHC recommends that Congress act quickly on HUD appropriation requests so that the Department can operate programs in fiscal year 1972 at 1972 levels. Because of the veto of the 1970 Appropriation Act HUD operated some six months into the 1971 Fiscal Year without appropriations and was forced to operate programs on 1970's levels under continuing resolutions. In these unprecedented times of housing shortages, NHC strongly urges supplemental appropriations of all monies authorized for all programs but not yet appropriated. However, full funding of existing authorizations will not result in producing the intended volume of housing because of increases in housing costs. We recommend that the assistance authorization for all housing programs be increased to offset the advances in housing costs. We recommend further increases in authorizations for all programs to achieve NHC's higher goals and to make up for deficiencies in past production, as set forth in the chapters below.

#### 3. Programs to Assure Adequate Financing

<sup>1</sup> The Third Report is expected to be filed shortly.

for Major Increases in Housing Production. The record of the past two decades makes it clear that the flow of funds for residential mortgage financing has been and continues to be determined by federal monetary and fiscal policies. The principal sources of funds for residential financing are derived from net consumer savings which are deposited in the institutions which make long-term mortgage investments at a fixed rate of return. This flow of savings under existing institutional arrangements is subject to sharp fluctuations based on competitive rates of return on other investment outlets. Thus, in 1966 and 1967 the primary sources of residential mortgage financing had great difficulty in financing the mortgage requirements of approximately \$20 billion for the year on a total private housing production at an average annual rate of 1,250,000 units. By contrast, the total annual mortgage financing requirements involved in meeting the housing production goals by 1978 will be approximately \$53 billion at current price levels, but this understates the actual prospective requirements. Even on the assumption of continued growth in gross national product and in consumer savings, this indicated expansion of more than 2½ times the previous housing finance requirements indicates that a broadened base for residential financing investment must be developed. The studies of this problem made by the National Housing Conference have led to the following recommendations in order to step up housing production to a rate necessary to meet our needs and goals including the housing required for those of low and moderate incomes:

(a) *Full Use of Emergency Home Finance Act of 1970.* We urge the full use of all authorizations in the Emergency Home Finance Act of 1970. This includes the \$250 million authorization for an appropriation of subsidies to reduce interest rates on advances made by the Federal Home Loan Banks to their members. It includes, for each of the fiscal years 1971 and 1972, a \$105 million authorization of contracts for subsidies under the new section 243 program which is intended to reduce interest rates for home ownership by moderate income families; however, the law should be amended to provide for a subsidy which would reduce the interest rate by 2% under the market rate. It also includes a \$1.5 billion increase in the funds available for special assistance programs of the Government National Mortgage Association (GNMA). Finally, it authorizes the establishment of conventional secondary mortgage markets both by the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation.

(b) *Reduction in FHA-VA Interest Rate.* As stated above, we approve the recent actions by the Administration reducing the maximum FHA-VA interest rate from 8½% to 7%. We urge the Administration to take the lead in making further cuts in this interest rate as promptly as possible. We further urge the use and liberalization of the authorizations in the Emergency Home Finance Act of 1970, in order to achieve the lower interest rates which are necessary to serve those who cannot afford a 7% rate.

(c) *Par Purchase of Mortgages on Moderate Income Housing.* We also urge actions by FNMA, GNMA and the Federal Home Loan Bank to assure that sponsors will obtain financing without paying discounts for projects to serve those of moderate or lower incomes. NHC recognizes that there may be times when it will be impossible to sell FHA insured mortgages at par in the private market after reductions in the interest rates. Therefore, if sponsors of projects are unable to obtain financing at par in the private market without paying discounts not covered by mortgage proceeds, the nonprofit and cooperative mortgagors would have no way to continue their initiation of low and mod-

erate income housing. Likewise, many limited distribution sponsors are unwilling to undertake projects involving such discounts because of the limited return which they obtain on the projects. To meet this need, Congress has authorized—and FNMA and GNMA are effectively using—the Tandem Program under which GNMA purchases at par Section 236 mortgages and market-rate rent supplement mortgages under Section 221(d)(3) for nonprofit and cooperative mortgagors. This program should be extended as authorized in the 1969 Housing Act, so that GNMA will purchase mortgages—on any projects eligible for special assistance under Section 805—at a price equal to par.

(d) *Construction Financing.* FNMA and GNMA should continue and extend their participation in construction financing on moderate income housing. NHC applauds the action of FNMA in taking a 95% participation in the construction financing, with another mortgage institution taking the remaining 5% participation and handling the processing involved in construction loans; such FNMA participations are available in cases where either FNMA or GNMA issues a take-out commitment. This program for FNMA participation in construction assistance should be extended to cover all projects eligible by law for special assistance, instead of being limited to projects involving mortgages under Section 236 and Section 221(d)(3) rent supplements.

NHC also applauds the actions of the Federal Home Loan Bank Board in making special advances available to member savings and loan associations for both construction and permanent financing to produce housing for low and moderate income families.

(e) *Assurance of Continued FNMA Participation in Low and Moderate Income Housing.* We urge that FNMA be provided with whatever additional authorizations are needed to continue its indispensable programs in providing a market for Federally-insured or guaranteed mortgages. FNMA has done an outstanding job in providing the financing for mortgages under Section 236 and rent supplements.

In accordance with its Charter, FNMA has established a special yield-related price for multifamily mortgages under Federally-assisted programs of Section 236 or rent supplements. Until recently, the special price was 4 points above the market. However, FNMA has reduced this differential to 2½ points, so when a mortgage is selling below 97¼, FNMA will no longer buy these mortgages at par. We recommend the restoration of the 4 point differential.

If the Administration takes the lead in making future reductions in interest rates as we recommend, the price may temporarily fall below par as it did after recent decreases in interest rates. Fortunately, we have the Tandem Program to assure par purchases of these mortgages on non-profit and cooperative projects by GNMA when FNMA does not take them at par, as described above.

(f) *Full Implementation of the Housing Assistance and Interest Control Act.* NHC applauds the passage of the Housing Assistance and Interest Control Act of 1969. This Act increases from \$1 billion to \$4 billion the authority of the Federal Home Loan Bank System to borrow from the Treasury. The Act requires the Secretary of the Treasury to use the authority, when alternative means cannot effectively be employed, to permit members of the Home Loan Bank System to continue to supply reasonable amounts of funds to the mortgage market whenever the ability to supply such funds is substantially impaired during periods of monetary stringency and rapidly rising interest rates. The Act contains the following provisions:

(1) Regulation Q authority is given to the Federal Reserve Board and the Federal Home Loan Bank Board to establish flexible inter-

est rate ceilings until March 22, 1971. We recommend the full use of this authority and a 2-year extension of the authorization.

(2) The President is given authority to establish credit controls both on a voluntary and mandatory basis. We endorse the full use of this authority as a means of channeling additional funds into housing production.

(g) *Investment of Governmental Trust Funds in Mortgages for Low and Moderate Income Housing.* We suggest legislation requiring governmental trust funds to invest a portion of their loanable funds to finance housing, particularly for low and moderate income families. These investments would include mortgages insured by FHA or VA or bonds guaranteed by GNMA or HUD under the 1968 Housing Act. The GNMA guaranteed bonds would relieve the investors of the burdens or costs of servicing the pooled-insured mortgages securing the bonds and would assure a full recovery of the funds invested. Among the public trust funds to be so invested would be social security Trust Funds and Veterans Administration Funds which are available for investment. NHC supports legislation authorizing the use of VA funds for investment in VA-guaranteed mortgages.

(h) *Investment of Private Financial Institutions in Mortgages for Low and Moderate Income Housing.* Private financial institutions should also be induced to invest a portion of their loanable funds in mortgages insured by FHA or VA or bonds guaranteed by GNMA or HUD to finance housing or new communities, with emphasis on projects which serve moderate and lower income persons and families. This would include private pension funds, insurance company funds and funds of financial institutions which benefit from federal support or assistance. These institutions should be induced to make such investments. In the case of institutions which obtain federal support or assistance, it would be appropriate to enact legislation imposing as a condition to such federal support and assistance, the requirement that the institutions invest a certain proportion of their funds in new housing. This requirement can be imposed in a manner which would not work a hardship on the foregoing funds because the housing securities would yield an attractive return and assure a full recovery. Therefore, NHC again endorses Chairman Patman's effort to establish a Development Bank funded by pension fund contributions to make mortgage loans available for housing at reasonable interest rates.

(i) *Investments by Universities to Upgrade and Improve the General Area of Their Location.* Major institutions such as universities should be induced to invest portions of their endowment or other funds to improve the general area in which they are located. These institutions should recognize their responsibility to assist in upgrading the housing and environment of such areas in order to develop sound and attractive local communities.

(j) *Mandatory Purchase by the Federal Reserve System of Securities Guaranteed by FHLBB, FNMA and GNMA.* We endorse any legislative attempt to require the Federal Reserve System to purchase securities guaranteed by the Federal Home Loan Bank Board, FNMA or GNMA and utilized for new residential mortgage financing. This would be an addition to the Federal Reserve's present authority to make purchases on the open market. Since Federal Reserve's purchase of obligations would be directly from FNMA, GNMA and the Federal Home Loan Bank Board, this would assure that the funds would be channeled directly into the mortgage market when needed during periods when we have monetary stringency and rising interest rates. These obligations would include securities issued against the

pool of mortgages, debentures or other obligations.

(k) *Continued support for a National Development Bank.* NHC applauds the introduction of identical bills by Chairman John Sparkman and Chairman Wright Patman (S. 580 and H.R. 3550) to establish a \$20 billion "National Development Bank" to finance public works and to provide loans for businesses and industries and for low and moderate income housing projects. Interest charges on the Development Bank's loans would be tied to the Federal Reserve System's discount rate. The Bank would be capitalized by an appropriation of \$1 billion and could borrow up to twenty times the amount of capital, or \$20 billion.

(l) *Continued Support for Home Owners Mortgage Loan Corporation.* We continue to support H.R. 4176, introduced by Chairman Barrett and Congresswoman Sullivan. This bill would create a Home Owners Mortgage Loan Corporation (HOMLC) which would administer a revolving fund capitalized at \$10 billion through appropriations of \$2 billion a year for 5 years. It would make 30-year direct loans with a maximum of \$24,000 bearing interest at not more than 6½%. We recommend a reduction in that interest rate to 5%. Those eligible for loans would be:

(1) "Credit worthy" moderate income families unable to obtain mortgages at reasonable rates of interest; and

(2) Families with incomes not exceeding \$12,000, except that HOMLC would have power to vary the income limit.

Existing FHA insuring offices would process loan applications and existing lending institutions would service the mortgages for no more than ½ of 1%. This bill—and other housing legislation with income limits—should be amended to provide for appropriate deductions in determining family incomes.

(m) *Mortgage-Backed Securities—GNMA.* NHC applauds the fact that more than \$1.5 billion of mortgage-backed securities have been sold during the first year's operation of this GNMA program to attract new sources of investment capital into housing by GNMA guaranteeing privately-issued securities on home mortgage pools. \$1.3 billion of the bond-type securities have been issued through underwriters while \$240 million of the pass-through securities have been sold through private placement. Another \$500 million in applications for GNMA guarantees for pass-through securities have been processed or are under review. NHC urges that guidelines be developed to permit the pooling of multi-family mortgages as backing for the securities. Only single-family FHA and VA mortgages have been accepted for pooling so far in this program.

(n) *Immediate Action to Utilize All Existing Legislation.* We urge immediate administrative action and implementation to utilize all existing legislation—as described above—in order to assure an adequate flow of funds into residential mortgage financing and to reduce interest rates and eliminate discounts on such financing. The Administration should take such measures as are necessary to shelter housing from the impact of restraints or economic forces which preclude an adequate flow of funds into residential financing at reasonable interest rates. These actions are required to implement the national housing policy and goals authorized by law.

(o) *Site Availability in Metropolitan and Other Areas.* We agree with the analysis in the President's Second Annual Report on National Housing Goals that community discrimination against subsidized housing is one of the most serious constraints on the availability of building sites for low- and moderate-income housing. We support the Report's recommendation of legislation which

would prohibit States and local public bodies from discriminating against housing subsidized by the Federal Government, whether through legislative or administrative action. We regret that the Administration did not vigorously implement this recommendation. We urge that the Administration propose and the Congress enact legislation which would achieve this objective. Sponsors of subsidized housing need the assurance that the Federal Government's resources and power will clear away the constraints which are imposed on their proposed projects simply because they are intended for low- and moderate-income families. They are usually unable to pay for protracted litigation which is now the only way to overcome this problem. NHC stongly endorses the recommendation of the National Committee Against Discrimination in Housing adopted December 8, 1970.

After the submission of the Administration's proposed bill, Secretary Romney recommended a further provision which would have prohibited discrimination against subsidized housing through local land use and development controls in areas that lie in the path of urban development. The legislation would have authorized suits by interested parties, as well as the Attorney General, to enjoin such exclusion where such local action was inconsistent with local plans. We believe this proposal should be strengthened and enacted. It should be strengthened by providing for federal preemption of local zoning upon an appropriate finding by the Secretary so as to require opponents rather than proponents to initiate litigation. It should be applied to all local areas that do not take affirmative action to resolve their housing problems. Moreover, it should not be dependent on local plans—which may be silent with respect to local housing needs—in order for the legislation to be effective.

#### CHAPTER C. EMERGENCY HOME FINANCE ACT OF 1970

1. *Purpose.* Because of the severe housing shortage and sharp drop in housing starts in 1969 and the continued low level during 1970, Congress passed the Emergency Home Finance Act of 1970 as an immediate response to the crisis. The Act was primarily aimed at relieving the middle income home and cooperative buyer.

2. *Authorizations in the Emergency Home Finance Act of 1970.*

(a) *Subsidies to reduce interest rates.* A \$250 million appropriation of subsidies is authorized to reduce interest rates on advances by Federal Home Loan Banks to members for their use in purchasing housing mortgages, primarily on new housing but also on existing housing. The Board will allocate funds and regulate their use.

(b) *Federal Home Loan Mortgage Corporation.* The Federal Home Loan Mortgage Corporation ("FHLMC") is created and has power to purchase and make commitments to purchase residential mortgages from any Federal Home Loan Bank, the Federal Savings and Loan Insurance Corporation, any member of a Federal Home Loan Bank, or any other financial institution whose deposits or accounts are insured by an agency of the United States. The Corporation can purchase eligible conventional mortgages and single-family and multi-family mortgages insured by FHA. The Corporation is authorized to issue notes, debentures, bonds, or other obligations and mortgage-backed securities guaranteed by GNMA.

(c) *Home Ownership for Middle Income Families—Section 243.* The Act establishes a new Section 243 to provide interest reduction payments on behalf of middle-income purchasers of homes or memberships in Section 213 cooperatives. Interest subsidy payments will be on mortgages on which the mortgagor makes monthly payments to-

wards principal and interest equal to an amount which would be required if the mortgage bore an effective interest rate of 7 per centum which the mortgagor could pay by applying at least 20 per centum of his income towards homeownership expenses. Monthly homeownership expenses include the monthly payment for principal, interest, mortgage insurance premium, insurance, and taxes due under the mortgage.

The aggregate amount of contracts to make payments cannot exceed amounts approved in appropriation Acts and contracts for such payments are authorized for \$105,000,000 during the period prior to July 1, 1971, which amount is increased by an additional \$105,000,000 for additional contracts prior to July 1, 1972.

(d) *FNMA Conventional Mortgage Market.* FNMA is authorized to establish a conventional secondary mortgage market. Mortgages are limited to a 75% loan to value ratio, unless (1) seller keeps a 10% participation, or (2) the excess is privately insured, or (3) seller agrees to rebuy or replace the mortgage on default, as FNMA may require. A House provision barring financing when this might inhibit HUD special assistance was replaced by language to the same effect in the conference committee report.

(e) *FHLMC Conventional Mortgage Market.* The Federal Home Loan Mortgage Corporation is established to handle an FHA-VA and conventional secondary market. The same provisions apply to its mortgage purchases as FNMA's. The Corporation is subject to GAO audit.

(f) *Increased Special Assistance.* Special Assistance Funds are increased from \$2 billion to \$2.75 billion, plus \$750 million of additional authority which is transferred from Program 14 which involved mortgages on new homes. This total increase of \$1.5 billion is available for any tandem plan use.

(g) *Program 14 for New Homes.* The purchase requirement was removed for the funds left in Program 14, thus opening that program for wider use in the purchase of mortgages on single-family homes. The program's mortgage ceiling is increased to Section 235 levels.

(h) *GNMA Purchase of 236 Mortgages.* GNMA may buy Section 236 multifamily mortgages above its \$22,000 unit limit where projects have the benefit of a local tax abatement program.

3. *Authorization in Appropriation Act.* Of the \$250 million authorized under Title I to reduce interest charges for members of the Federal Home Loan Bank System, \$85 million has been included in the appropriation act authorization for fiscal year 1971.

Of the \$105 million of contracts authorized for the first year under the new Section 243 program, there has been no request as yet to embody this authorization in any appropriation acts.

#### 4. Recommendations.

(a) *Legislative Amendments.* NHC recommends an amendment to Section 243 which would provide for the use of the subsidy in order to achieve an effective interest rate of 5% instead of 7% for those people who need this larger subsidy to meet their remaining housing expenses after spending 20% of their income for home ownership expenses, utilities and maintenance. To provide an incentive which would help achieve economic integration, the amendment should provide a preference for people who will buy in a subdivision or housing development serving moderate and lower income families who receive the benefit of larger interest assistance or other subsidies. This program is needed for FHA-insured mortgages since the \$250 million FHL Bank program reduces interest rates only on conventional loans made through saving and loan associations.

(b) *Additional Authorizations in Appropriation Acts.* After adoption of our proposed

amendment to provide 243 subsidies to reduce the effective interest rate from the current 7% to 5%, NHC urges the passage of a supplemental appropriation act which would include the \$105 million contract authorization for Section 243 for fiscal year 1971 and an authorization of \$105 million of additional contracts for fiscal year 1972. NHC also urges the appropriation of the \$165 million balance of the subsidy authorization to reduce interest rates on advances by the FHL Bank to its members for use in purchasing housing mortgages.

#### (c) Administrative Actions.

(i) NHC urges HUD to establish rules and regulations pursuant to Section 243. NHC urges that the Secretary set no income limit for eligibility for assistance under Section 243.

(ii) NHC urges that the Federal Home Loan Bank Board modify its rules so its members can purchase a larger percentage of mortgages on multifamily housing. Such housing has become increasingly important in meeting the needs of the middle-income group.

(iii) Regulations should be issued promptly to implement the FHL Bank program of subsidies to reduce housing costs by \$20 monthly.

(iv) These regulations should make it clear that cooperatives are eligible for assistance. The income limits should be at least 150% above the median income in the area.

#### CHAPTER D. ADMINISTRATION'S PROPOSED HOUSING AND URBAN DEVELOPMENT BILL

##### 1. Introductory statement

In the succeeding chapters we will discuss existing housing programs as authorized by different sections of the National Housing Act. The multiplicity of statutory section numbers evidences the variety of programs which were enacted in past years. It is evident from the history of the federal housing programs that no comprehensive plan or design was employed in the development of these programs and that each legislative program was enacted to meet a particular need that appeared urgent at a particular time. Consequently, there are gaps and areas of unmet housing needs due to the deficiencies in our housing legislation.

Last year the Administration proposed legislation to consolidate and simplify existing programs. In this year's Budget Message, the President made the following statement concerning the Administration's proposed housing bill:

"The housing industry has already begun to lead our economic expansion. Fiscal and monetary actions taken in the past year have resulted in a significant easing of mortgage interest rates. Federal policy must help this industry meet the pent-up demand for housing.

"The effectiveness of our housing programs will not be improved by merely continuing to increase Federal subsidies. The programs must be simplified and fitted into a rational framework. Inconsistencies must be removed, along with the obsolete rigidities in statutes that at times prevent programs from operating at all.

"The Administration will again propose legislation to carry out these badly needed reforms, which I urge the Congress to enact."

In this chapter we briefly summarize the provisions of the Administration's bill in the form which we believe is now contemplated for introduction this year. It should be recognized that this summary may not accurately reflect the final bill as introduced in view of changes that may be made before the Administration sends the bill to the Hill.

In this chapter we are recommending new and amendatory legislation—some of which may be finally embodied in the Administration's bill—to eliminate gaps due to deficiencies in existing legislation and to assure the availability of housing to meet the needs of people at all income levels.

## II. Purpose and summary

1. *Purpose and Goals.* According to Secretary Romney, the Administration's proposed bill is "an effort to deal with the overall housing picture" and seeks to achieve the following goals:

(a) To consolidate existing HUD programs for low, moderate, and middle income families.

(b) To eliminate unnecessary bureaucratic requirements and establish uniform criteria for subsidized housing programs.

(c) To base eligibility limits and construction requirements on income and cost factors prevalent in the community.

2. *Consolidation and Simplification.* The Administration states that its housing proposals would (a) consolidate authorities throughout existing law into a number of broad programs, (b) eliminate duplicate authorities, and (c) improve existing operations and subsidy programs. The number of existing FHA programs is reduced from approximately 50 to 8. Replacing some 40 existing authorities dealing with home cooperative and rental housing are one new program to cover all unassisted home mortgages and one new program covering all subsidized home mortgages; and one program each for the unsubsidized and subsidized rental and cooperative projects.

### 3. Major Substantive Changes:

(a) *Financing Off-Site Components.* The Secretary would be authorized to insure advances of mortgage funds during construction or rehabilitation to cover the cost of materials and components which are assembled or stored away from the construction site. This extension of insurance authority is expected to facilitate the financing of Operation Breakthrough type projects which require substantial off-site assembly of component units.

(b) *Flexible Maximum Mortgage Amounts.* The various statutory dollar limitations on maximum mortgage amounts would be replaced by a uniform formula applicable to all home and multifamily mortgages. The Secretary would determine the development cost of a prototype unit of modest design in each housing market area. The maximum insurable mortgage amount for an assisted dwelling unit could not exceed 110 per cent of the development cost in each housing market area. For unassisted housing the maximum insurable mortgage could not exceed 200 per cent of the development cost of the prototype unit. For a multifamily project the maximum insurable mortgage amount would be equal to the maximum insurable mortgage amount of each individual unit multiplied by the number of units in the project.

(c) *Interest Rates.* The Secretary would be given permanent authority to establish maximum interest rates on FHA insured mortgages and loans which are consistent with market conditions. The Secretary would also be authorized to permit, on an experimental basis, parties to a mortgage transaction to determine the applicable interest rate provided that no discounts are charged. The Secretary would be required to furnish prospective mortgagors information on the two alternative financing methods available. FHA insured and VA guaranteed mortgages and loans would be exempted from State and local usury laws.

(d) *Settlement Costs.* The Secretary would be authorized to limit the amount of settlement costs.

(e) *Minimum Down Payment.* The minimum down payment for unassisted home mortgages would be in an amount equal to closing costs. The minimum down payment for all assisted mortgages would be \$200.

(f) *Builders Warranty.* Builders of homes approved prior to construction would continue to be required to warrant homes against substantial deviations from approved plans. In addition, builders of homes which are not approved prior to construction would be re-

quired to give homeowners a one year warranty against all structural defects.

(g) *Cost Certification*: The existing requirements for cost certification would be substantially simplified. The Secretary would be given authority to exempt residential multifamily projects designed for occupancy by less than 12 families or insured for less than \$250,000 from the cost certification process.

(h) *Uniform Treatment of Major Components of Subsidized Housing Programs*:

(i) *Eligibility Limits*—The income limits would be standardized. Eligible families would be required to have incomes which do not exceed the median incomes for the area as determined by the Secretary with adjustments for smaller and larger families, except that the Secretary could establish income ceilings higher or lower than the median in any area where a variation was necessary because of prevailing levels of construction costs, unusually high or low family incomes, or other factors.

(ii) *Construction Cost Limits*—Specific statutory dollar limitations on the amount of the maximum insurable mortgage amount would be removed. The development cost of a prototype unit priced out in each housing market area would be the new basic criteria for maximum mortgage amount for both single-family homes and multi-family units. Development cost would be equal to construction costs plus an amount attributable to land costs.

(iii) *Definition of Income*—For purposes of eligibility and the determination of the subsidy amount income would be defined to include income from all sources of all family members except that the Secretary would have authority to exclude income earned by minors and nonrecurring income. For the purpose of determining the amount of the subsidy \$300 per minor could be excluded from income for each minor plus 5% of gross income as now allowed.

(iv) *The Rent to Income Ratio*—All participants in the subsidized programs would be required to contribute 20 percent of their income to mortgage payments under the home ownership program and 25 percent of income for rental and occupancy charges on multifamily housing for rental or cooperative operations. There would be a "basic rental" for each unit in an assisted rental or cooperative project determined on the basis of operating the project with the benefit of the assistance payments. The occupant would pay the basic rental or charge for his unit or such greater amount, not exceeding the fair market charge for such unit (the rental or charge without subsidy), as represents 25 percent of his income.

(i) *The Subsidized Homeownership Program*: The assistance payment on behalf of any homeowner could not exceed the lesser of (1) the balance of the monthly payment for principal, interest, taxes, insurance, and mortgage insurance premium due under the mortgage remaining unpaid after applying 20 percent of the mortgagor's income, or (ii) the difference between the monthly payment for principal, interest, and mortgage insurance premium due under the mortgage and the monthly payment for principal and interest due under a 1% mortgage. However, the amount of this difference could be increased by up to one-fourth in cases (not exceeding 20 percent of the total amount of contract funds authorized by appropriation Acts) where the Secretary determined an increase was necessary to further the purposes of the section.

(j) *The Subsidized Rental Program*: The assistance payment on behalf of a project owner could not exceed the difference between the monthly payment for principal, interest and mortgage insurance premium (or other comparable charges approved by the Secretary) on a market rate mortgage and the monthly payment for principal and

interest that would be due on a mortgage at 1%.

With respect to up to 20 percent of the dwelling units in any project, the Secretary could contract to make assistance payments to a project owner on behalf of tenants or cooperative members whose incomes are too low to afford the basic rentals. These payments, with respect to any unit, could not exceed the lesser of (i) the amount required to reduce the basic rental or occupancy charge to an amount equal to 25 percent of the family's income or (ii) the maximum payment which would be made with respect to the dwelling unit under the rent supplement program.

(k) *Public Housing Rental Programs*:

(i) *Flexible Development Costs*—The 1970 Housing Act provided a flexible development cost formula to determine maximum costs of public housing, so the consolidation bill does not cover this subject.

(ii) *Federal Annual Contributions*—There would be a separation between the authorization to provide annual contributions for debt service requirements and the authorization to provide operating subsidy. The maximum annual contributions for debt service requirements would be the annual amount of principal and interest payable on obligations issued by a public housing agency to finance the development or acquisition of the project involved. The present maximum limit on the rate of annual contributions for both debt service and operating subsidy requirements—the going Federal rate plus two percent times the capital cost of the project involved—would be eliminated. Also eliminated would be the authorization to pay an additional annual subsidy of up to \$120 per dwelling unit occupied by an elderly or handicapped family, a displaced family, a very large family, or a family of unusually low income. The Administration states that these special category subsidies are no longer required in view of the new operating subsidy provisions.

There would be a separate authorization for the Secretary to make annual contributions to public housing agencies for the operation of low-income housing projects (including low income housing in private accommodations which would include an operating subsidy). The contribution payable annually under this section could not exceed amounts which the Secretary determines are required (a) to assure the low income character of the projects involved and (b) to achieve adequate operating services. The Secretary would be authorized to embody the provisions for annual contributions for operating subsidy in a contract guaranteeing their payment.

(iii) *Tenant Contributions*—The bill would establish rental requirements for families occupying dwelling units in a low income housing project assisted with operating subsidies. Subject to the existing law requirement that a family's rental charge could not exceed one-fourth of income, the family would be required to pay a rental of not less than one-fifth of the family's income, but not to exceed a fair market rental charge determined on the basis of operating the project with payments of principal and interest which the public housing agency is obligated to pay on the capital cost of the project. In the case of low-income housing in private accommodations, the fair market rental charge would be the rental which the owner receives for the dwelling unit plus the cost of utilities and necessary services not included in such rental. As to other tenants in public housing, they would not be required to pay more than 25% of their income under the Brooke Amendment.

(l) *The Public Housing Homeownership Program*: Individual families or an association formed by them for their benefit would be permitted to purchase newly developed

housing as well as existing projects. A conveyance of the property to the prospective homeowner would be made as soon as a mortgage with the public housing agency had been arranged. The maximum subsidy would be the same as the debt service subsidy that is provided for public housing rental projects which are not aided by an operating subsidy—the amount of principal and interest paid by the public housing agencies on the mortgaged property. The purchaser's contribution toward homeownership would be based on the same income formula as rental housing and would have to be sufficient to cover utilities, taxes and insurance.

### III. Recommendations

NHC supports the principles and objectives of the Administration's proposals for simplification of the many federal housing programs, but only if the legislation includes the recommendations of a new flexible formula for subsidies, better income-to-rent ratios, achievement of economic integration, and all of the other amendments described in these resolutions. However, last year's bill would have produced inequities and presented serious roadblocks to the effective functioning of these programs. We hope and expect that these objectionable features will be eliminated from this year's bill. Since we are not certain as to the final form of the Administration's bill, we are listing below some of the major objectionable features that were in last year's bill and which we hope will be removed from this year's bill. We are also listing amendments to the proposed Administration bill and other new legislation which are necessary: (a) to eliminate gaps and deficiencies in our existing legislation; (b) to assure the availability of housing to meet the needs of people at all income levels with monthly charges that they can afford; and (c) to achieve economic integration of assisted housing with a freedom of choice for people of all incomes to select where they want to live.

(1) *Rent Increases for Existing Tenants*: The most controversial part of last year's bill was the effort to impose new requirements on existing projects resulting in substantial increases in rents or tenants contributions for present occupants under several programs.

We hope and believe that this objectionable proposal will be eliminated from this year's bill. However, it appears that there will be a proposal for rent increases of families now living in those public housing projects which will be assisted with annual contributions for operating subsidies. Evidently the Administration proposes to require a minimum rental payment of 20% of income (with a maximum of 25%) from families living in such projects. Many such families have been paying less pursuant to the income-to-rent ratios established by local housing authorities under previous legislation. The Administration proposes to make such rent increases effective in two increments—one-half after the first year's review of family income and the other one-half after the second year's review of family income.

People living in public housing projects already built should not be required to pay higher rents than those established under earlier laws and regulations; otherwise, there will be serious hardships for them. Such rent increases for these people will adversely affect their cost of living and reduce the amount they have for necessary food, clothing, and other living requirements. Therefore, NHC opposes any attempt to increase rents of existing tenants in public housing projects—or of existing occupants in other assisted projects if the new bill so provides—as a result of HUD's requiring the application of new income-to-rent ratios or other new legislation.

(2) *Determination of Income and Eligible Deductions:* The Administration's proposed new bill would retain the allowable deductions for assisted private housing, namely, \$300 for each minor child plus a 5% allowance for social security and pension payments. In the 1970 Housing Act, Congress reaffirmed and codified for public housing the type of deductions that had been typically available in such housing, namely: (a) an amount equal to \$300 for each dependent and \$300 for each secondary wage earner; (b) 5% of gross income; (c) nonrecurring income and income of full-time students; (d) medical expenses of the family which are extraordinary; (e) such further deductions as the Secretary allows in recognition of unusual circumstances.

We recommend that these same criteria be adopted for assisted private housing programs so that there are uniform criteria for both private and public housing receiving subsidy assistance. It is necessary to have fair standards of this character for determining deductions in computing family income in order to avoid an unreasonable and unfair burden when requiring the occupant to pay 20% of income for housing. Such a burden will result unless there are exclusions from income which result in a realistic determination of the amount of income actually available to the family for its housing and other living expenses.

(3) *Percentage of Income Required Under Assisted Housing Programs:* The proposed legislation would retain the provision requiring 20% be spent for housing under the homeownership program (Section 235, which would become Section 402). In the case of the homeownership program, the housing expenses should be broadened to include utility costs, repairs and maintenance. This would establish a uniform criterion as to all housing which is assisted by interests subsidies. Likewise, in the case of the assisted multi-family program we recommend that 20% of income be spent for total housing expenses. The occupant will have sufficient money left to pay for food, clothing and other living expenses.

As to this payment of 20% of income for housing, this should be both the minimum (up to the maximum established charge) and the maximum percentage of family income to be spent for housing. The establishment of a maximum would apply the criterion to assisted private housing that has been adopted in the Housing and Urban Development Act of 1970 for public housing. However, that limitation—known as the Brooke Amendment—provides that tenants in public housing are not to pay more than 25% of their income for housing and that adequate subsidies are to be provided to achieve this objective. We recommend that this be reduced to 20% for assisted public housing and that a like percentage be established as a maximum in privately assisted housing. This is a sound principle which should be uniformly applied to all housing receiving subsidy assistance. It avoids the undue hardship that has resulted under existing programs where some families are paying too high a proportion of income for housing expense.

(4) *Realistic Income Limits:* As a matter of principle we would recommend that there be no income limits for admission to assisted housing but that each family or person be required to pay 20% of income for total housing expense. If as a pragmatic matter it is necessary to include an income limit in order to obtain legislative authorizations and funding for subsidies to assist housing, we recommend a formula for income limits which will eliminate gaps in our present housing programs. The present maximum limits leave areas of unmet needs for the income limits are unrealistic. They fail to reach many who cannot afford adequate housing without the aid of some subsidy.

We recommend the following program relating to realistic income limits and the achievement of economic integration.

(a) There would be an income for 80% of the dwelling units which would be both realistic and simple. It would be the median income in the area, with authority in the Secretary to exceed the median by the amount required in order to meet the housing needs of the locality based on its income and cost factors.

(b) There would be no income limit for 20% of the units in order to achieve economic integration and enable the housing developments to serve a cross-section of income groups.

(c) Instead of the present subsidy formulae which result in gaps and areas of unmet need and which preclude achieving economic integration, we recommend the subsidy formula described in the next paragraph.

(5) *Adequate and Flexible Subsidy Formula to Meet All Needs and Achieve Economic Integration:* There would be a flexible subsidy formula which would eliminate gaps in our housing program and assure that there is sufficient subsidy available to meet the housing needs of people at different income levels. Also, it would achieve economic integration. The amount of subsidy would be the amount required to meet the housing expenses remaining after the occupant pays 20% of his income for the housing. The amount of subsidy allocated for an assisted housing development should be based upon making dwelling units available to a cross-section of income groups, as follows:

(a) Up to 20% for occupancy by families or persons whose incomes are much below the maximum income limits and who require subsidies at or above the amounts which have been available for rent supplements and public housing. Based on their payment of 20% of their income for housing, this group would be eligible for a subsidy in the amount required to meet the remaining amount of housing expenses. To the extent needed, this would cover the principal and interest payments on the mortgage and a part of the operating expenses.

(b) Up to 20% for occupancy by families or persons who would not be subject to an income limit. We propose to provide a subsidy incentive for such families to live in an assisted housing development with families of lower incomes. For this group, there would be a subsidy of 2%. At today's market interest rate, these people would pay an effective interest rate of 5%, plus the 1/2 of 1% FHA premium. People in this group would pay 20% of their income for housing expenses up to a "maximum established charge" which would reflect the subsidy of 2%.

(c) The remainder for occupancy by families or persons who are at or below the median or higher income limit established by the Secretary and who require subsidies in the form of interest assistance. Based on their payments of 20% of their income for housing, this group would be eligible for a subsidy in the amount required to meet the remaining amount of housing expenses. To the extent needed, this would cover all of their interest and the FHA insurance premium. According to their varying needs, these people would pay a monthly charge ranging from 0% interest (with no FHA insurance premium) up to the maximum established charge which would reflect a 2% subsidy.

There would be a periodic re-examination of income only for occupants who are paying less than the maximum established charge. If their income increased, they would pay 20% of the larger income, but not more than the maximum established charge. With such a charge which reflects a 2% subsidy and an effective current interest rate of 5%, there would be an incentive for residents to remain in the housing community even though

their incomes increased. As a matter of public policy, this is vitally important in order to achieve greater stability in housing communities and to maintain their economic integration. If people feel that they are permanent residents of a housing development, they will take better care of it.

The foregoing program would achieve economic integration and more wholesome housing communities. In each housing development or subdivision there would be a cross-section of families at different income levels. This would avoid the past undesirable condition where families were segregated within a narrow income segment. In such cases there was a predominance of lower income and excessively depressed people living in a housing development which was stigmatized and isolated from the community. Through the achievement of a balanced population in a community—including middle income people with those of moderate and low incomes—we can achieve more wholesome and stable communities. By serving a broader segment of the market through economic integration, a housing development will be better able to achieve racial integration. Middle and moderate income families will help to provide leadership and status for the community. With housing in each development available for a cross-section of income groups and a broader market, we can offer freedom of choice to people of all incomes to select where they want to live.

(6) *Contract Commitments and Reserves for Subsidy.* The federal government would make an overall dollar commitment of contract authority for subsidy which would take into account the anticipated need based on a project with a cross section of income groups ranging from the low to those who pay the maximum established charge. By serving a broader segment of the market, housing developments should be programmed with subsidies to serve the anticipated income distribution within a housing development. In most cases, the actual dollar amount of subsidies to be committed to a particular project may be less than the amounts committed under present programs. The past practice of committing maximum subsidies has resulted in unused contract authority because the commitment was based upon the maximum amount needed for everyone. The Senate Committee recognized the undesirability of pursuing this practice. Under the proposed program, the commitment of contract authority would be based on the estimated need based on serving a cross section of income groups. There should be a national reserve of a reasonable amount of contract authority for commitment to meet over-runs in subsidies above the estimates. This reserve would be only a fraction of the amount of unused authority under the present system where all commitments anticipate a maximum subsidy for everyone.

(7) *Realistic Mortgage and Construction Limits.* We recommend the elimination of dollar limits on mortgages and construction costs, by establishing a flexible formula for the Secretary to determine such limits based on cost factors prevalent in the community. The 1970 Housing Act made this amendment in the public housing program. It provided that prototype costs should be determined by the Secretary on the basis of his estimate of construction and equipment costs of new dwelling units in the area. The law provided that the prototype costs should take into account the extra durability required for economical maintenance of housing and the provision of amenities designed to guarantee safe and healthy family life and neighborhood environment. Further, it provided that in developing such prototypes, emphasis should be given to encouraging good design as an essential component of such housing and to provide housing which will be of such

quality as to reflect the architectural standards of the neighborhood and community. We recommend a similar program for private housing, with necessary adjustments to take account of the differences between assisted and unassisted private housing. Thus, the mortgage amount for assisted housing should not exceed 125% of construction costs—or 200% of construction costs for unassisted housing—plus non-construction items and the full market price for sites which are zoned and suitable for such housing.

(8) *Orderly Transition To New Programs.* With the consolidation of housing programs and new formulas as to income limits, subsidies, cost limits and other matters, we emphasize the urgent need to continue operations and housing production under the existing laws. During the tooling up period under the new legislation, and until the new programs become fully effective and operational, all existing programs should continue so that there will be no interruption in HUD operations in view of the need for a higher level of production during the coming years.

(9) *Disposition of Low Rent Public Housing to its Residents.* We support the proposed legislation authorizing the disposition of low-rent public housing for ownership by the residents and other low-income families. We recommend a clarifying amendment to continue the annual contributions and the outstanding local authority bonds—which generally bear very low interest rates—upon disposition of public housing to permit the achievement of monthly charges which the low income residents can afford.

A further amendment is necessary to provide for necessary repairs and improvements in public housing before its disposition. Low income families should not take over housing which needs such repairs and improvements to make it suitable for their ownership. Supplemental loans should be available to provide for this additional work, together with the costs involved in achieving homeownership by low income families and other closing costs and prepaid expenses; also, supplemental annual contributions should be authorized to cover the debt service on such supplemental loans from the Secretary or others. Without the recommended changes, the proposed provisions in the Act would not achieve the contemplated objective of cooperative and other homeownership by residents of public housing and other low income families.

The proposed legislation should be amended to provide that the interest rate on the purchase money mortgage should be the rate on the public housing agency's bonds on the project which will continue to be outstanding with a continued pledge of the Federal annual contributions. With low income families and fixed annual contributions, it is not feasible for these purchasers of public housing to pay the higher interest rate which would be applicable under the formula in the pending bill.

In sales to nonprofit cooperatives, the mortgage should be in a principal sum equal to the unpaid balance on the public housing agency's principal debt on the project, together with the amount of the supplemental loan for necessary repairs and improvements, closing costs, and prepaid expenses.

(10) *Necessary Continuance of Existing Laws and Equal Treatment for Cooperatives.* There are several amendments required to retain provisions in existing laws which were found necessary as a result of past experience. There are real distinctions between programs which result from their essential differences and needs. Where existing laws recognize the need for special provisions adapted to the special requirements of a program, these provisions should be continued. The following examples are cited in the field of cooperatives:

(a) The proposed legislation should retain the present language which restricts permanent occupancy of dwelling units to members of cooperatives, since there may be temporary occupancy by non-members under subleases by members who find it necessary to be away for limited periods. Also, it should clarify the two types of cooperatives which have always existed under the cooperative program: namely, one which is a management-type project where permanent occupancy is restricted to members of the cooperative; and the second which is a sales-type cooperative where the individual units are to be sold to purchasers eligible for mortgage insurance and assistance. However, in the latter case, certain special safeguards should be provided, including the requirement for consumer-oriented sponsorship of the cooperative and for community facilities which the cooperative would continue to provide for the owners of the individual dwelling units.

(b) Likewise, in the proposed legislation, it is necessary to assure that there is at least equal treatment for cooperative homeownership as compared with individual ownership. Thus, in the case of single family homes there can be 100% mortgages when the amount does not exceed \$20,000.00 per unit. The same privilege should be accorded to cooperatives when the average housing cost does not exceed \$20,000.00 per unit. As to the replacement cost in excess of \$20,000.00, the mortgage amount would be limited to 97 per centum of such excess. This amendment would continue to meet the recognized need for these percentages on cooperative mortgages and would retain similar long-standing provisions of existing law.

(c) For more than 10 years—and again in the 1969 Act—Congress has recognized that while the normal formula of appraised value is appropriate on existing properties operated as profit-making rental projects, it is entirely inappropriate and unworkable for existing projects which are to be owned and operated on a non-profit basis. In the case of a profit-making rental project, it is feasible to have an appraisal formula which includes a capitalization of net income. However, there is no net income on a nonprofit or cooperative ownership project where the charges reflect the nonprofit objective. Congress recognized this and other differences in the factors involved in nonprofit projects and cooperatives, so it prescribed a workable appraisal formula for existing projects being acquired for cooperative and other nonprofit ownership. This formula has been tried and tested, and it should be retained.

(d) The 1968 Housing and Urban Development Act included cooperatives under both Sections 236 for rental and cooperative housing and Section 235 for homeownership for lower income families; also, Section 213 covers both management-type and sales-type cooperatives. However, in last year's Administration bill, cooperatives were limited to the management-type. It is important for cooperatives to continue to have statutory authorizations which cover both types of cooperative programs. In the case of condominiums, a project would obtain mortgage insurance under Section 501, with purchasers of the housing obtaining mortgage insurance and assistance under Sections 401 and 402. We recommend the same program for sales-type cooperatives where the individual dwellings sold to purchasers would get mortgage insurance under Section 401 when unassisted and under 402 when assisted.

(e) Last year's bill contemplated eliminating the Cooperative Management Housing Insurance Fund for future cooperative mortgages insured under Section 501. NHC is opposed to abolishing this fund. When questioned about the proposed elimination of the Cooperative Management Housing Insurance Fund during House hearings, Secretary Romney is reported as replying "I think it

was an inadvertent omission," and stating that it should be continued. This Cooperative Insurance Fund costs the Federal Government nothing. The Fund receives payments from mortgage insurance premiums and from fees when a mortgage is insured; also, it receives interest on its accumulated reserves. Dividend distributions are based on the record achieved by cooperative projects. In addition to having the Cooperative Fund for future projects, the Cooperative Management Housing Insurance Fund previously created by law should continue with respect to all mortgages or loans previously insured under Section 213.

(11) *Necessity of Retaining Profit and Risk Allowances:* The proposed bill should be amended to continue a profit and risk allowance of 10% of estimated project costs—except the value of land or property prior to construction or rehabilitation—on multifamily housing construction where the mortgage amount does not exceed 90 per centum of replacement cost. Since 1956, the housing laws have directed that FHA include such an allowance in its estimate of replacement cost on certain multifamily projects. This policy is necessary to attract developers of multifamily housing and to achieve the objectives of the National Housing Partnerships.

There is a proviso in existing legislation that FHA could adopt a regulation prescribing a lesser percentage if it determined and certified that this 10% allowance was unreasonable. However, no such determination has been made during the past 14 years. Moreover, Congress has five times re-enacted and extended the 1956 provisions to cover other multifamily housing programs where the mortgage amounts are based on replacement cost. Thus, there has been a continuing Congressional recognition of the need for such a uniform allowance in these multifamily housing programs. This profit and risk allowance should be retained.

In projects involving cooperatives and other nonprofit mortgagors, we recommend that the Secretary be authorized to include in replacement cost an amount for the developer's profit and risk which will be fair and uniform as compared with the amount allowed in projects involving profit mortgagors. This is necessary to avoid discouraging or discriminating against the construction of cooperative and other nonprofit projects. In the case of consumer cooperatives where there is no identity of interest with the developers, the proposed profit and risk allowance in the replacement cost becomes a part of the lump-sum construction price and covers risks imposed on the developer to protect the purchasing-cooperative members against any increase that occurs in development costs after the member has purchased his unit.

(12) *Cost Certification and Industrialized Housing:* An amendment is necessary in the cost certification provisions to cover cases where prefabricated houses or major housing components are furnished by a subcontractor or supplier having an identity of interest with the mortgagor or builder. In such cases, it is not feasible to have a certification covering the costs involved in the factory production of such houses or housing components. Accordingly, the cost certification should provide for an allowance representing the Secretary's estimate—at the time of the issuance of the commitment—of the value of such prefabricated housing or major housing components. We recommend such an amendment which will help achieve the objectives of Operation Breakthrough.

We also recommend amendments to retain provisions of existing law regarding cost certification. There have been successful experience and effective administration under these provisions for many years. It is necessary to continue these provisions and avoid uncertainties regarding the manner in

which cost certification is handled. We are opposed to repealing well-established statutory rules and granting broad administrative discretion which will create doubts and uncertainties that could adversely affect housing production.

(13) *Regulation of Settlement Costs:* We commend the provisions of the proposed legislation authorizing the Secretary to regulate settlement costs; also, the provision of Section 402 which would continue the present provisions applicable to Section 235 limiting the downpayments on the assisted homeownership program to \$200 for settlement costs. On homes involving 100% mortgages where the amount does not exceed \$20,000, we recommend an amendment to Section 401 relating to unassisted housing which would require that the downpayments be not less than \$200 or the closing costs, whichever is greater.

(14) *Continuity of Program Under State and Federal Laws:* Many state laws provide for higher ratio loans by banks and financial institutions when a mortgage is insured by FHA under the National Housing Act. We recommend an amendment which would assure that loans insured under the proposed Act would be regarded as loans insured by FHA under the National Housing Act so they will continue to be eligible for the higher ratio loan under state law.

The Tax Reform Act of 1969 provides certain tax incentives relating to the construction and sale of limited-distribution projects under Sections 221(d)(3) and 236. We recommend an amendment which would assure that comparable projects under the proposed Act would be eligible for these tax incentives.

We recommend another amendment which would make other changes in federal statutory references which identify FHA programs by numbers which will not longer be a part of the proposed Act.

(15) *Full utilization of the Brooke Amendment:* The Brooke Amendment in the Housing and Urban Development Act of 1969 provides that the rent in public housing projects may not exceed 25% (we recommended above that this be reduced to 20%) of the family's income; also, it authorizes additional assistance payments through annual contributions in order to achieve this objective and serve persons of very low income. To fully implement and extend the purposes of this legislation, the 1970 Housing Act (a) clarifies the use of annual contributions to pay the excess of operating and maintenance expenses over rental income and (b) increases the contract authority for annual contributions to enable the Brooke Amendment to be fully effectuated. We urge the release and use of this contract authority for the purposes intended.

(16) *Program Levels:* Instead of open authorizations for all housing, urban renewal and model city programs, we recommend an additional authorization for each program for a 5-year period at the following levels:

(a) *Public Housing Program for New Units to be Developed:*

On July 1, 1971 (for fiscal 1972) an additional authorization of \$300 million.

On July 1, 1972 (for fiscal 1973) an additional authorization of \$350 million.

On July 1, 1973 (for fiscal 1974) an additional authorization of \$400 million.

On July 1, 1974 (for fiscal 1975) an additional authorization of \$450 million.

On July 1, 1975 (for fiscal 1976) an additional authorization of \$500 million.

(b) *Urban Renewal:*

On July 1, 1971 (for fiscal 1972) an additional authorization of \$3.0 billion.

On July 1, 1972 (for fiscal 1973) an additional authorization of \$3.25 billion.

On July 1, 1973 (for fiscal 1974) an additional authorization of \$3.5 billion.

On July 1, 1974 (for fiscal 1975) an additional authorization of \$4.0 billion.

On July 1, 1975 (for fiscal 1976) an additional authorization of \$4.5 billion.

(c) *Model Cities:*

On July 1, 1971 (for fiscal 1972) an additional authorization of \$1.2 billion.

On July 1, 1972 (for fiscal 1973) an additional authorization of \$1.5 billion.

On July 1, 1973 (for fiscal 1974) an additional authorization of \$1.5 billion.

On July 1, 1974 (for fiscal 1975) an additional authorization of \$1.5 billion.

On July 1, 1975 (for fiscal 1976) an additional authorization of \$1.7 billion.

(d) *Home Ownership Program Under Section 402:*

On July 1, 1971 (for fiscal 1972) an additional authorization of \$250 million.

On July 1, 1972 (for fiscal 1973) an additional authorization of \$250 million.

On July 1, 1973 (for fiscal 1974) an additional authorization of \$300 million.

On July 1, 1974 (for fiscal 1975) an additional authorization of \$325 million.

On July 1, 1975 (for fiscal 1976) an additional authorization of \$350 million.

(e) *Rental and Cooperative Housing Program Under Section 502:*

On July 1, 1971 (for fiscal 1972) an additional authorization of \$330 million.

On July 1, 1972 (for fiscal 1973) an additional authorization of \$350 million.

On July 1, 1973 (for fiscal 1974) an additional authorization of \$400 million.

On July 1, 1974 (for fiscal 1975) an additional authorization of \$450 million.

On July 1, 1975 (for fiscal 1976) an additional authorization of \$500 million.

(f) In addition to the foregoing authorizations in (d) and (e), NHC recommends a separate and additional authorization of \$50 million for each of the five fiscal years beginning with 1972 to provide interest assistance for projects financed or assisted by state agencies.

(17) *Program Objectives:* The program recommended in these resolutions would make housing available to families of all incomes and achieve economic integration. There would be no gaps or areas of unmet needs in our housing programs. Each family whose income is too low to obtain decent housing would receive the amount of assistance it needs to get such housing. We must reach the unserved income group below the level now eligible for public housing or rent supplements. Likewise, we must avoid a gap or area of unmet need above the level not eligible for moderate income private housing assisted with federal interest subsidies or below-market interest rates. To achieve these objectives we urge the adoption of our program.

#### CHAPTER E. ADMINISTRATION'S PROPOSED REVENUE SHARING PROGRAMS AND PROPOSED DEPARTMENT OF COMMUNITY DEVELOPMENT

##### New Department of Community Development

1. In his State of the Union Message, the President proposed "a sweeping reorganization of the Executive Branch" which included a proposed Department of Community Development: "a department concerned with the community—rural communities and urban—and with all that it takes to make a community function as a community."

In the past, we have always supported the consolidation within one department of all the functions that relate to housing, urban development, model cities, new communities, planning, and other programs relating to communities. Since at this time we do not know what functions would be assigned to the new department, we are not in a position to make a recommendation on the proposed new department.

##### General revenue sharing

2. NHC recommends against any use of the new General Revenue Sharing Plan to reduce Federal grant funds which are urgently needed—and should be increased—for existing programs including: urban renewal;

model cities; mass transportation; water and sewer facilities; new communities; neighborhood facilities; open space, urban parks, and urban beautification; health; education; training; or other vital needs. In short, the General Revenue Sharing Plan should represent additional funds and there should be necessary increases and full funding for all existing Federal grant programs to meet housing and urban needs.

As stated by the President in the State of the Union Message, his proposals included "a plan of revenue sharing historic in scope and bold in concept." Under this proposal the Congress would: "make a \$16 billion investment in renewing state and local government. \$5 billion of this will be in new and unrestricted funds, to be used as the state and localities see fit."

NHC favors the President's proposal for a \$5 billion initial appropriation for the General Revenue Sharing Plan in order to meet the urgent needs of States and cities, many of which are facing financial crises. As to the Federal Government's assuming additional burdens and costs of the welfare system, we believe that this is a matter that should be separately considered on its own merits.

Under the proposed General Revenue Sharing, there will be increases in later years in the annual appropriation for the Program. With respect to annual increments above \$5 billion for General Revenue Sharing, NHC recommends a formula in distributing these additional funds which would encourage and reward local governments that meet the national objectives of providing housing for the low and moderate income groups. Thus, if the local government issued certificates of occupancy for such housing funded by any federal, state or local subsidy program, that government should be entitled to an additional distribution under the General Revenue Sharing Plan as to the annual appropriation in excess of \$5 billion. This will in no way restrict the use of the funds by the States and localities, but will merely affect the amount they will receive under the distribution formula.

##### Special Revenue Sharing

3. (a) In the State of the Union Message, the President proposed that Congress make a \$5 billion annual investment in general revenue sharing (as described above) as part of a total \$16 billion investment in renewing state and local government. He then stated:

"The other \$11 billion will be provided by allocating \$1 billion of new funds and converting one-third of the money going to the present narrow-purpose aid programs into federal revenue sharing funds for six broad purposes—urban development, rural development, education, transportation, job training and law enforcement—but with the states and localities making their own local decisions on how it should be spent within each category. . . . The revenue sharing proposals will include the safeguards against discrimination that accompany all other federal funds allocated to the States."

In his Special Message to the Congress on March 5, the President recommended his Special Revenue Sharing proposal for Urban Community Development. We quote from his message some of the main features of the program:

##### "How the New Program Would Operate

"The \$5 billion program for General Revenue Sharing which I proposed to the Congress on February 4th was designed to give greater resources to hard-pressed States and localities. But a lack of resources is only one of the deficiencies from which State and local governments now suffer. They also lack the opportunity to exercise sufficient responsibility in meeting social needs. As a further step in revitalizing State and local governments, I am therefore recommending a series of six Special Revenue Sharing

programs under which the National Government would set certain general goals while programmatic decisions would be made at the State and local level . . ."

"I recommend that four categorical grant programs now administered by the Department of Housing and Urban Development be consolidated into a single fund. The size of this fund in the first full year of operation would be \$2 billion. Cities would be able to spend their money as they see fit, provided only that they used it for community development purposes.

"The four elements which would be combined to form this new fund would be the current programs for urban renewal, Model Cities, water and sewer grants, and loans for the rehabilitation of existing structures. The urban renewal program now contains several sub-categories the funds of which will become part of the new fund, including so-called "conventional" urban renewal, the Neighborhood Development Program, assistance for concentrated local code enforcement, interim assistance for blighted neighborhoods, demolition grants and rehabilitation grants. I am proposing that this new program begin on January 1, 1972. In its second year of operation, I would add to this fund by including the money which the Office of Economic Opportunity now spends on some of the elements of its Community Action Programs.

#### "Distributing the Funds

"How would the money be distributed? Because these funds are designed to achieve the specific purpose of urban development, most of this money would be sent to the metropolitan areas of our nation where the vast majority of Americans live and work. Eighty percent of the Special Revenue Sharing fund would be assigned for use in Standard Metropolitan Statistical Areas. The Office of Management and Budget defines a Standard Metropolitan Statistical Area as an area which contains a central city or cities with an aggregate population of 50,000 or more and those surrounding counties which have a metropolitan character and are socially and economically integrated with the central city. There are 247 such areas in the United States at the present time.

"The money assigned to Standard Metropolitan Statistical Areas—eighty percent of the total fund—would be allocated among the SMSA's according to a strict formula which would be written into the law so that each SMSA would be assured in advance of its fair share. The central cities and other cities in each SMSA with a population of more than 50,000 would, in turn, automatically receive a stable annual share of the SMSA's funds—again, according to the same objective formula.

"In each Standard Metropolitan Statistical Area, some balance would remain after the major communities had received their formula share. In the initial years, this balance would be used by the Department of Housing and Urban Development to compensate any major city in that metropolitan area which received less from the formula allocation than it received annually from the old categorical grant programs over the past few years. Thus, all of these cities would be 'held harmless' against reductions in the total urban development support they receive from Washington. None would be hurt—and many would receive more assistance than they do at present.

"This administration also recognizes the needs of the growing and changing suburban and smaller communities—with populations under 50,000—within metropolitan areas. After the formula allocation and 'held harmless' commitments have been honored within each Standard Metropolitan Statistical Area, the remaining balance would be available to assist such smaller units, as well as counties, and to encourage area-wide developmental cooperation.

"The formula according to which the funds would be distributed among the Standard Metropolitan Statistical Areas and among the cities within them would be 'problem oriented'—so that the money would be channeled into the cities which need it most. The formula would take into account the number of people who live in an area or a city, the degree of overcrowding there, the condition of its housing units, and the proportion of its families whose income is below the poverty level.

"The remaining twenty percent of the Special Revenue Sharing fund for Urban Community Development—the part that did not go by formula to the Standard Metropolitan Statistical Areas—would be available to the Secretary of Housing and Urban Development to distribute. Much of this money would be used during the transitional period to help hold communities harmless against reductions in the overall level of their urban development support. These funds would also be used to encourage state involvement in urban community development, to perform research, to demonstrate new techniques and to aid localities with special needs and with special opportunities to implement national growth policy.

#### "Spending the Funds

"How would cities use this money? For community development purposes—which could include investments in both physical and human resources. All of the activities which are eligible for support under the present urban development categorical grants would be eligible for support from the new Special Revenue Sharing fund which would take their place. Cities could thus use their allocations to acquire, clear and renew blighted areas, to construct public works such as water and sewer facilities, to build streets and malls, to enforce housing codes in deteriorating areas, to rehabilitate residential properties, to fund demolition projects, and to help relocate those who have been displaced from their homes or businesses by any activities which drew on their urban community development special revenue sharing funds. They could also fund a range of human resource activities including those now funded by Model Cities and Community Action programs.

"Just which of these activities would be supported and what proportion of available funds would be channeled into each activity are decisions that would be made locally. No Federal approval would be required. Cities would simply be asked to indicate how they plan to use their funds and to report periodically on how the money was expended. This requirement is included merely to insure that funds would be used for eligible activities.

"As is the case with all other revenue sharing programs, there could be no discrimination in the use of these funds. The rights of all persons to equitable treatment would be protected. Any monies expended under this program would be considered as Federal financial assistance within the meaning of Title VI of the Civil Rights Act of 1964.

#### "The Transition Process

"I would emphasize that there will be no lessening of Federal support for urban development activities between now and January 1, 1972, the proposed starting date for the new program. Our problems will not take "time out" and neither can our efforts to deal with them. Where long-range commitments have been made to fund urban renewal projects, those commitments will be honored. Amendatories—supplementary pledges which cover cost increases in urban renewal projects—will also continue to be funded. We will, however, discourage applications for new conventional urban renewal projects—since they would tie up future funds today which would mean cash through Special Revenue Sharing

in future years. Instead, we will prepare for Special Revenue Sharing by placing greater emphasis in all programs on annual incremental funding—of the sort that is now used in Neighborhood Development Programs.

"Similarly, all other affected programs will continue to be funded until the new program comes into effect. This includes our Model Cities and Community Action commitments. As soon as the starting date for Special Revenue Sharing is established by the Congress, this administration will work out transition arrangements, so that there will be neither a funding gap nor a period of double funding."

"One point that should be very clearly understood is that no program currently funded by categorical grants need be discontinued under the new arrangement. Every community would have the capacity to maintain—and many would have the capacity to expand—any of these current programs. The suggestion that Model Cities programs, for example, would be terminated is extremely misleading. That would happen only if a locality made a deliberate decision that it wanted to terminate the program, something it is free to do right now. . . ."

From the Fact Sheet accompanying the President's Message, we quote the following further explanation of the Special Revenue Sharing Proposal for Urban Community Development:

"All of the activities are eligible for support under the present urban development categorical grants would be eligible for support from the new Special Revenue Sharing fund which would take their place. Cities could thus use the money to acquire, clear and renew blighted areas, to construct public works such as water and sewer facilities, to build streets and malls, to enforce building codes in deteriorating areas, to rehabilitate residential properties, to support the types of activities for which Model Cities supplemental grants have been authorized, to fund demolition projects, and to make relocation payments and assistance for those displaced by program activities.

"Decisions on which of these activities will be undertaken in each community and what proportion of available funds would be channeled into each activity will be made locally. No Federal approval would be required for any activity. Neither applications nor matching local shares will be necessary. Cities would merely have to report in advance how they plan to use their funds, and to report at the end of the year on how the money was expended. This requirement is included merely to insure that funds would be used for eligible activities. Racial discrimination in the use of these funds would be prohibited, and the rights of all persons to equitable treatment would be protected. (Emphasis added.)

"No program currently funded by categorical grants need be discontinued under Special Revenue Sharing. Every community would have the capacity to maintain—and even to expand—any of these current programs, if they wished to do so. For example, termination or continuation of model cities programs would depend completely on local decisions."

#### NHC's recommendation on special revenue sharing plan

NHC believes that Federal grants should provide incentives to promote national programs and objectives relating to housing and community development. The adoption of the model cities program by almost 150 cities was largely attributable to the Federal program of planning grants and supplemental grants for model cities. Likewise the participation of over 1200 cities in the urban renewal program is largely attributable to the Federal program of planning grants and program grants for urban renewal. With respect to the proposed special revenue sharing program, we are deeply concerned that many of

these programs—with their emphasis on serving the underprivileged and racial minorities—would be prejudiced by the proposed consolidation of the categorical programs into a single community development grant program under which each local government would determine which activity it elects to pursue. To provide incentives which assure the achievement of national goals and programs, we favor the continuance of categorical grants for each of the four special purposes: urban renewal, model cities, sewer and water, and rehabilitation. As an alternative program available under urban renewal, NHC recommends a total Community Development Program which would include activities that extend greatly beyond those now eligible under urban renewal and which would receive Federal funding on a yearly increment basis. (See Chapter G, Paragraph 4 of Part II.)

No legislation is yet available to implement the Special Revenue Sharing Plan for Urban Community Development. Consequently, we are not certain how this program would be implemented in detail. However, on the basis of the special message it would appear that a city could use all of the funds for a sewer and water program and none of the funds for urban renewal, model cities or rehabilitation of existing structures. Likewise, it would appear that a city may be permitted to use all of the community development grant for a model cities program and none of the grant for the other three programs; since the model cities supplemental grants have been unlimited as to uses, it may be possible for a city to use the community development grant merely to supplement its city budget for general municipal purposes—this would in no way accomplish the national programs and objectives contemplated under existing legislation.

However, we are in full agreement with the President's principle that Federal grants should be made available for use by states and local governments *without Federal accountability or program supervision*, except for (1) compliance with nondiscrimination obligations and (2) the use of the funds for the specific purposes of each of these four categorical grants. We urge that this principle be applied to these categorical grant programs, so that they would not be subject to Federal program supervision. In short, there would be block grants for each of the four categorical programs, with the use of the funds limited only as to the particular purpose of each grant and without Federal program supervision.

In the proposed Special Revenue Sharing program the President recommends that there be no matching grants. We oppose Special Revenue Sharing for Urban Community Development. However, if there were adequate funding for the categorical grant programs, the principle of no matching local grants would be meaningful as applied to categorical grants. In that event, we would recommend that no matching grants be applied in the continuance of the four categorical grant programs.

If the Special Revenue Sharing Plan is adopted for Urban Community Development, NHC recommends a broadening of the formula for distributing funds. Instead of taking into account only the population and needs of the area, and the condition of its housing units, the formula should also cover the affirmative action which the locality has taken in meeting those needs.

#### *Reductions in Appropriations and Lapses in Authorizations for Many Programs*

4. NHC does not believe that the *outlay total* is the appropriate yardstick to measure the Federal Government's assistance to housing and community development. Such outlays record the amounts paid on commitments made during the past and current fiscal years. Moreover, there have been cutbacks in the program for fiscal 1971 below

the amounts appropriated for that year, as described below, so that outlays in that year are below the level which should be used as a test in determining whether program levels for fiscal 1972 are higher than those in fiscal 1971.

5. (a) A more appropriate yardstick consists of the following two figures:

(1) The total Congressional authorizations for these programs as compared with the amount the Administration proposes to fund through appropriation requests.

(2) The total appropriation requests for fiscal 1972 in comparison with the actual appropriations for fiscal 1971.

(b) As to the first test of appropriation requests for fiscal 1972 in comparison with the total amounts appropriated for 1971, the figures are as follows:

(1) Of the \$1.2 billion appropriated by Congress for the urban renewal program for fiscal 1971, the Administration intends to obligate only \$1 billion this year and to carry the remaining \$200 million over to next year. This contrasts with a backlog at HUD of urban renewal applications from local governments totaling \$3 billion.

(2) Of the \$350 million appropriated for the water and sewer grant program for fiscal 1971, the Administration intends to obligate only \$150 million and to carry the balance of \$200 million over to fiscal 1972.

(3) Of the \$575 million appropriated for fiscal 1971 for the model cities program the Administration intends to obligate only \$375 million. Of the unspent funds, \$157 million will lapse on June 30, 1971. During fiscal 1972, the Administration proposes to phase out model cities and allow an additional \$505 million to lapse on June 30, 1972.

(4) Thus \$1.1 billion currently available in community development funds will not be obligated during fiscal 1971, namely: \$200 million for urban renewal; and \$200 million for water and sewer programs; and \$732 million for model cities.

(5) The Administration's proposed appropriation request for fiscal 1972 for the four existing programs during the first six months plus the proposed new community development grant program for the second six months, is \$500 million less than the total monies actually appropriated by Congress for fiscal 1971 for the four existing programs alone.

(c) As to the second test of the amount of the appropriation requests for fiscal 1972 compared with the actual appropriations for fiscal 1971, the figures are as follows: the total authorizations available for fiscal 1972 for these four programs is \$3.75 billion, but the Administration's total appropriation request for fiscal 1972 for these four programs plus the new Community Development Program is \$1.64 billion.

6. The National Housing Conference is of the opinion that the Administration's appropriation requests for housing and related urban development programs for the Federal fiscal year 1972 beginning July 1, 1971 are grossly inadequate in relation to demonstrated needs and backlog requirements from communities and private enterprise, as shown by the following cuts:

(a) The utilization of contract authority for low-rent public housing would be reduced from \$394 million authorized for fiscal year 1971 to \$201; and to \$207 million for fiscal 1972 from \$417 million authorized for fiscal 1972 (which includes the \$192 million carryover from fiscal 1971).

(b) With respect to housing for lower income families, the Administration requests contract authority for interest subsidies under the Section 235 and Section 236 programs of only \$175 million each as against Congressional authorization of \$25 million additional for fiscal 1971 and \$200 million for fiscal 1972 for each program.

(c) With respect to urban renewal, the budget confirms that the \$200 million addi-

tional capital grant funds appropriated for fiscal 1971 have been frozen as to commitment in fiscal 1971. The budget proposes that this \$200 million be made available in fiscal 1972, together with a new appropriation request for \$600 million.

(d) With respect to the model cities program, the budget requests no new appropriation for fiscal 1972. Since the budget was published, the Administration has announced the release of \$148 million of impounded model cities appropriated funds in fiscal 1971 and \$288 million of such funds in fiscal 1972. Even at this rate, a total of \$296 million of model cities appropriated funds would be withheld by June 30, 1972.

(e) With respect to water and sewer grants, the budget confirms that the \$200 million in additional funds appropriated for fiscal 1971 have been frozen as to commitment in fiscal 1971. The budget proposes that one-half of these frozen funds be released for commitment in the first six months of fiscal 1972. No request is made for additional appropriations.

(f) The budget message proposes new legislation consolidating urban renewal, model cities, rehabilitation loans, and water and sewer grants in a new Community Development Program, effective January 1, 1972, upon which date the four categorical grant programs would be phased out as to new commitments. The budget requests a supplemental appropriation of \$1 billion for the new Community Development Program.

If enacted, the new Community Development Program presumably would also terminate large outstanding unappropriated Congressional authorizations, namely: \$1,927 million in urban renewal grants; \$837.5 million in model cities supplementary grants; and \$1 billion in water and sewer grants, in addition to \$100 million in unexpended water and sewer appropriations. In the event that the new Community Development Program is adopted, NHC recommends necessary amendments to assure that all of these authorizations will continue to be available for the purposes contemplated as part of the new Community Development Program.

7. As indicated above and in the chapters concerning public housing, urban renewal, model cities, and sewer and water, the Budget has impounded large amounts of the funds appropriated or authorized for HUD programs for fiscal year 1971. In a hearing called by Senator Sparkman before the Senate Committee on Housing and Urban Affairs on March 4, 1971, it is reported that:

(a) Budget officials confirmed the freezing of nearly \$1 billion in HUD funds this year and they gave as their reasons the curbing of inflationary construction costs and the overall spending limit imposed by Congress under a complicated formula which works out at present to \$214.5 billion. Budget officials asserted that the individual program authorizations aggregated a sum substantially in excess of this over-all spending limit.

(b) The total amount of the Budget freeze for all Federal agencies was said to be about \$8 billion of funds authorized and appropriated by Federal law.

(c) Senator Proxmire said that certain federal outlays are projected as rising in fiscal 1971, but that urban programs had taken an inordinately heavy share of the cuts—\$1 billion out of a total HUD budget of \$3.4 billion. The Senator urged restoration of these funds.

The Budget actions taken in freezing or cutting HUD funds for various programs demonstrate the need to grant a higher priority in the allocation of national resources to the solution of the problem of housing and community development. In view of the current critical housing needs and the financial crises in the cities, NHC urges action by the Congress and the Administration—including the relaxation of the over-all federal spend-

ing limit if this is necessary despite the separate Federal laws appropriating an aggregate larger amount—to assure that the full amount of funds authorized by legislation or appropriations will be released and spent for housing and community development programs.

#### CHAPTER F. LOW RENT PUBLIC HOUSING

##### I. Summary of existing legislation

1. *Need.* There is a tremendous unmet need for additional housing to serve the low-income group who cannot be decently housed without the aid of Federal subsidies. Many of the ill-housed in this income group are living in the slum and ghetto areas of our cities. Their unmet need for adequate housing has contributed to the crisis in our cities. Cities throughout the country have recognized the urgency of building additional public housing. Applications for additional public housing units are now being submitted to HUD at an annual rate of about 140,000 units.

##### 2. Authorizations in 1968 and 1969 Housing Act.

(a) *Authorizations for Annual Contribution Contracts.* The 1968 Act provided an increase in the contract authorization for annual contributions of \$100 million upon its passage and an additional \$150 million on July 1, 1969, and July 1, 1970. The 1969 Housing Act increased the authorization for annual contribution contracts by \$75 million as of July 1, 1969, and by \$20 million on July 1, 1970. It was hoped that these increased authorizations would provide about 375,000 low-rent dwelling units over the 3-year period for the public housing program.

(b) *Tenant Services.* The 1968 Act authorized HUD to make grants to local housing authorities to assist in financing tenant services for tenants of public housing. \$15 million in appropriations for grants were authorized for fiscal year 1969 and \$30 million for fiscal 1970. The 1969 Act extended these authorizations through fiscal year 1971. The tenant services include: counseling on household management, housekeeping, budgeting, money management, child care, and similar matters; advice as to resources for job training and placement, education, welfare, health, and other community service; services which are directly related to meeting tenant needs and providing a wholesome living environment; and referral to appropriate agencies when necessary for the provision of such services.

(c) *Limit on High-rise Projects.* High-rise public housing projects for families with children are prohibited except where HUD determines that there is no practical alternative.

(d) *Leasing Program.* HUD was prohibited from prescribing limitations on the types or categories of structures or dwelling units (other than those provided in the law) which can be leased under the public housing Section 23 leasing program.

(e) *Additional Subsidy for Certain Families.* An additional annual subsidy of \$120 is authorized for public housing units occupied by large families or families with very low incomes. In the past a like subsidy has been limited to the elderly and displaced families.

(f) *Loans for Public Housing Projects.* The 1969 Act increased from 90 to 100 percent the maximum amount of Federal loans or loan commitments authorized for financing the acquisition or development of a low rent housing project with respect to which annual contributions are to be made. Section 9 is used primarily to enable local housing authorities to obtain temporary financing for the acquisition or construction of a project by the sale of short-term notes backed by a Federal loan commitment. With a loan commitment of 100 percent of a project's acquisition or development cost, a local housing authority would be able to schedule the

issuance of long-term bonds for permanent financing when most advantageous to itself and the Federal Government rather than just prior to acquisition or when development costs reach the 90-percent level.

(g) *Public Housing Annual Contributions.* Section 10(b) of the USH Act was amended to clarify existing authority to fix the amount of the annual contributions to public housing projects at an amount in excess of the debt service requirements of the projects so long as the fixed contribution does not exceed the maximum annual contribution authorized in that section.

(h) *Notifications to Applicants for Admission to Public Housing Projects.* The 1969 Act amended Section 10(g) of the USH Act by adding a new paragraph requiring every contract for annual contributions for a low-rent housing project to provide that the public housing agency shall notify promptly any applicant determined to be ineligible for admission to a project of the reason for such determination and provide the applicant, within a reasonable time after the determination is made, with an opportunity for a hearing on the determination. Applicants who are determined to be eligible for admission to a project must be notified promptly of the approximate date of occupancy insofar as this can be reasonably determined.

(i) *Elimination of Workable Program Requirement With Respect to Low-Rent Projects.* The 1969 Act amended Section 101(c) of the Housing Act of 1949 and Sections 10(e) and 23(f) of the USH Act to eliminate the workable program requirement for low-rent public housing and Section 221(d)(3) projects.

(j) *Reduced Rentals for Very Low Income Tenants of Public Housing Projects—Brooke Amendment.*—The 1969 Act amended Section 2(1) of the USH Act to provide that rent in public housing projects may not exceed one-fourth of the family's income, defined by the Secretary of HUD. To make it possible to serve very low income persons in public housing, additional assistance payments were authorized within the existing annual contributions framework. To provide necessary funds for this purpose, \$75 million was added to the authorization for annual contributions contracts under Section 10(e) of the USH Act.

The requirement that rents fixed by public housing agencies may not exceed one-fourth of the low-rent housing tenant's income does not apply in any case in which the Secretary determines that by limiting the rent of a tenant there will result a reduction in the amount of welfare assistance which would otherwise be provided to the tenant by a public agency.

(k) *Applicable Going Federal Rate.*—The 1969 Act amended Section 14 of the USH Act to provide that any contract for annual contributions, loans, or both, may be amended or superseded for the purpose of insuring the low-rent character of the project involved so that the going federal rate on the basis of which such annual contributions or interest rate on the loans, or both, are fixed shall mean the going federal rate of the amending or superseding contract.

##### 3. Amendments in the Housing and Urban Development Act of 1970.

(a) *Public Housing Annual Contributions.*—The 1970 Act amends section 10(e) of the United States Housing Act of 1937 to increase the contract authority by \$150 million, and by \$225 million on July 1, 1971, for the public housing program.

(b) *Public Housing Rent Requirements.* The 1970 Act amends section 2(1) of the Housing Act of 1937 to provide more specific guidelines with respect to the maximum rental permitted to be charged tenants in public housing projects by providing statutory definition of income for purposes of establishing maximum rentals at one-fourth the tenant's income. Family income includes

income from all sources of each member of the family residing in the household who is at least eighteen years of age, (1) non-recurring income, as determined by the Secretary, but excluded are (2) an amount equal to the sum of (A) \$300 for each person in the household under eighteen years of age, and (B) 5 per centum of the family's gross income (10 per centum in the case of elderly families), (3) \$300 for each secondary wage earner, (4) medical expenses of the family properly considered extraordinary; finally, (5) the Secretary may allow further deductions in recognition of unusual circumstances.

(c) *Public Housing Cost Limits.* The 1970 Act substitutes a new formula for establishing limits on the construction costs applicable to public housing projects which would be based on cost factors prevailing in each area rather than on national standards. Under the proposed formula, the Secretary of HUD would periodically "cost out" prototypes of various types of projects in each area suitable for occupancy by public housing tenants. These various types could include high-rise elevator structures, walk-up projects, detached or row houses, projects designed for the elderly and handicapped, and congregate and dormitory-type housing, and others as necessary. Prototype cost would be determined on the basis of complete plans and specifications for the particular type of project. These plans and specifications could vary from one part of the country to another to reflect differences in climate, design standards and specifications.

(d) *Amendment of Contracts to Assure Low-Rent Character of Projects.* The 1970 Act clarifies the use of annual contributions to pay the excess of operating and maintenance expenses over rental income incurred by public housing agencies.

(e) *Low-Rent Housing in Private Accommodations.* The 1970 Act amends section 10(e) of the United States Housing Act of 1937 to require that at least 30 percent of the dwelling units for which contracts for annual contributions are entered into pursuant to the new authority granted under section 202 of the Housing and Urban Development Act of 1970 or under any law subsequently enacted shall be units in private accommodations provided pursuant to section 23 of the United States Housing Act of 1937.

(f) *Funding of Tenant Services.* The 1970 Act repeals the grant program for tenant services in public housing projects and authorizes such services to be financed out of project income and annual contribution payments.

(g) *Congregate Housing for the Elderly, Displaced and Handicapped.* The 1970 Act amends section 15 of the United States Housing Act of 1937 by adding a new paragraph (12) which would direct the Secretary to encourage local public housing agencies to develop congregate housing for the displaced, elderly and handicapped. Congregate housing is defined to mean projects with central dining facilities where some or all of the units do not have kitchen facilities. The dining facility would be required to be operated on a self-supporting basis; however, any expenditures, other than for food or services, could be considered a cost of the administration of the project. The section also provides that not more than 10 percent of the total amount of contracts for annual contributions entered into in any fiscal year pursuant to the new authority granted under the Housing and Urban Development Act of 1970 or under any law subsequently enacted shall be entered into with respect to units in congregate housing.

(h) *Policy Statement.* Section 211 of the 1970 Act amends section 1 of the United States Housing Act of 1937 to state, as the policy of Congress, that public housing tenants should not be barred from serving

on the board of directors or other governing body of a local public housing agency.

## II. Recommendations

1. *Urgent Need to Make Authorizations Available for Commitment.* The Budget contains severe cut-backs in the public housing program. Of a total of \$394 million in contract authority available for fiscal 1971, the Administration plans to obligate only \$201 million, leaving a carry-over of \$193 million in contract authority. Of the total of \$417 million in available contract authority for fiscal 1972 (which includes the \$193 million carry-over), only \$207 million will be obligated, leaving a \$210 million carry-over authorization for fiscal 1973. Thus, the Administration intends to permit the use of only about two thirds of the total contract authority available each year. This will create serious difficulties for the public housing program. The new starts for fiscal 1971 will remain at 90,000 units which is less than one-half of the annual number of public housing units we need to meet our goals. Moreover, many public housing authorities are facing large operating deficits which are rising due to inflation; also the additional funds are needed to implement the Brooke Amendment so that low-income tenants do not pay an excessive proportion of their income for rent. NHC urges that all available authorizations be released immediately to meet this critical condition as contemplated by the 1970 Housing Act.

2. *Necessary Appropriation.* NHC recommends the following schedule of authorizations for the Public Housing Program for new units to be developed:

On July 1, 1971 (for fiscal 1972) an additional authorization of \$300 million.

On July 1, 1972 (for fiscal 1973) an additional authorization of \$350 million.

On July 1, 1973 (for fiscal 1974) an additional authorization of \$400 million.

On July 1, 1974 (for fiscal 1975) an additional authorization of \$450 million.

On July 1, 1975 (for fiscal 1976) an additional authorization of \$500 million.

3. *Increase in Legislative Authorizations.* There is a need to increase the authorizations as outlined in paragraph 1, above, for public housing to an average annual rate of 200,000 units for a 5-year period. Initially, the annual rate should be 150,000 units, but it should be accelerated each year until it reaches 250,000 units in the fourth and fifth years. This should include public housing of the conventional type, along with turnkey housing and leasing programs.

4. *Immediate Release of All Available Funds.* NHC deplors the announcement by the Bureau of Budget and Management that the \$150 million of supplemental authorizations for fiscal year 1971 have been frozen. This money is desperately needed to implement the Brooke Amendment and to alleviate the tremendous backlog of applications for new construction.

5. *Continuation of Established Appropriation Procedures.* During the floor debate on the 1970 Housing Act, Congressman Davis offered an amendment to subject authorizations for annual contributions to approval in appropriation acts. NHC deplors and strongly opposes the intent of this amendment. There is no justification to change the long-established and satisfactory practice covering authorizations for annual contribution contracts. It has been in successful operation 34 years since the 1937 law was enacted. NHC urges that the Housing Subcommittee reject the proposal in question.

6. *Other Legislative Amendments.* We should perfect the existing public housing programs in light of our experience. In the conventional public housing programs, this requires the following new federal aids to meet conditions that have been too long neglected:

(a) NHC approves the objective in the 1969 Housing Act, as reaffirmed in the 1970 Act, to establish a maximum percentage of a tenant's income which is required to be paid as rent by public housing tenants. However, NHC recommends that 20% instead of 25% of a tenant's income should be the maximum rent. The 25%-of-income requirement is too high for low income families to pay for housing in view of their need of income for other essential living expenses.

(b) We recommend an amendment which would make subsidies available without reference to maximum income limits. The subsidies would be the amount needed after the occupant pays the required percentage of his income.

(c) Neither the program to lease privately-owned housing for public housing purposes, nor the rent-supplement program for those of public-housing incomes requires a local financial contribution in the form of exemption from local real estate taxes. Conventional public housing projects are therefore at a disadvantage in gaining acceptance by local governments, since these projects require tax exemption and 10% of shelter rents in lieu of taxes. To eliminate this disadvantage, NHC recommends that local housing authorities be permitted to make payments in lieu of taxes equal to full taxes. Federal annual contributions should be increased to cover the payment of a full tax equivalent.

(d) Special federal grants should be authorized to offset the impact of locating low and moderate income housing in suburban and other areas where costs must be incurred for education, health or other services to the extent they cannot be met from collections of full taxes on the property. Such federal grants would provide an incentive and inducement to suburban and other communities to accept low and moderate income housing since it would not impose an additional financial burden on the community.

(e) Until such time as a full tax equivalent is paid on public housing as recommended above, there should be a federal payment to cover costs of sending public housing children to local schools; accordingly, NHC deplors the fact that the language of the Elementary and Secondary Education Bill which provided for such payments was deleted.

(f) There should be a HUD authorization to make federal capital grants to cover the full amount of land and site development costs in excess of the reuse value of the improved land for new low-rent public housing projects which are not located in urban renewal areas; also HUD authority to make such federal grants for a write-down on buildings acquired for rehabilitation.

(g) The present law provides for disposition of public housing to residents when the housing is sufficiently separable for ownership by the residents. We recommend an amendment to authorize sale of an entire project—including turnkey housing—to a cooperative with a membership limited to those who will reside in the project and whose income meets the limits prescribed in Section 221(d)(3). The sale should be made subject to the continuance of the outstanding bonds of the local housing authority and the pledge of federal annual contributions as security therefor. In broadening the authorization for disposition of public housing, the amendment should require a finding that such disposition would not adversely affect the low-rent program of the public housing agency involved. The proposed NHC amendment would make it possible for residents of public housing to achieve cooperative home ownership and to produce better and more stable communities.

Further, instead of requiring over-income families to move out, they should be allowed to acquire cooperative home ownership by

paying a higher monthly charge which they can afford, based upon a percentage of their increased earnings. This amendment will give public housing tenants an incentive to better themselves. As to public housing tenants whose incomes have not increased, they can either be (i) relocated in other public housing projects, with their moving expenses paid; or (ii) permitted to remain in the project—preferably as members of the cooperative—receiving the benefit of annual contributions so long as they qualify as low income families. When vacancies occur, they will be filled with over-income tenants from other public housing projects who desire to become cooperative owners. In determining the price and mortgage on the sale of a public housing project for cooperative ownership, the same definition of appraised value should be used as is involved under FHA cooperative programs, namely, "value of the project for continued use as a cooperative."

(h) Repeal the provision in the U.S. Housing Act of 1937, as amended, which requires a 20% gap between the lowest private and the upper public housing income limits for admission.

(i) Permit low-income individuals—in addition to low-income families—to be eligible for occupancy in low rent public housing. NHC recommends the removal of the 10% limit on the number of units in a project which may be occupied by low income individuals as distinguished from low income families.

(j) Make the necessary changes to permit construction in a municipality of low-rent public housing for those of low income who will later migrate to the municipality for employment in industries located there or in service activities. This would include new towns or municipalities outside of central cities. It would facilitate dispersal of population and reduction of the concentration of low-income families in central cities.

(k) In new and existing low-rent public housing projects, there is a great opportunity to provide social impetus and vitality not only to those living in the development, but also the neighborhood. The need is both for physical community facilities on a large scale and for skilled and dedicated personnel to operate them imaginatively. A program was authorized by the 1965 Act for two-thirds federal grants to assist communities, in developing neighborhood facilities of all types, with preference to those in neighborhoods involving the anti-poverty program. While this affords a new opportunity to obtain needed physical facilities, the law should be amended to provide for necessary social and counseling services in such neighborhood facilities. Where funds or services cannot otherwise be obtained, local authorities should be permitted to use project funds for this purpose. Adequate funds for social and counseling services should be included in the project budget. We believe the 1970 Housing Act permits this under the amendment allowing project income and annual contributions to be used for tenant services. If any clarification is required to cover all of the foregoing services and facilities, we recommend a further amendment which would accomplish this.

(l) There should be an amendment authorizing the leasing of available private housing outside central cities for low-rent housing purposes. Such leasing should not require approval by the governing body of the municipality involved. Parenthetically, state laws should likewise be amended to enable local authorities to lease such housing outside central cities.

(m) The Section 23 leasing program should be amended to permit longer term leases as this will encourage more private owners to participate in the program. The leasing program should be available for use in connection with any FHA-insured housing so as to

help achieve economic integration. It should also be available for use in connection with FHA-insured nursing homes.

(n) The 1965 Act repealed as to future projects the requirement of Section 10(c) of the United States Housing Act of 1937 that annual contributions to a public housing agency be reduced by any amounts by which the receipts of the agency exceed its expenditures. As a matter of fairness and to meet the needs of public housing agencies, NHC recommends that this repeal should also apply to public housing projects existing at the time of the 1965 Act, as well as future projects.

(o) There should be no limits for continued occupancy in public housing. Instead, people should be permitted to stay in public housing if they wish upon paying the prescribed percentage of their income—where permitted under state law—but not in excess of the economic rent.

7. *Administrative Actions.* NHC recommends and approves the following administrative actions by HUD:

(a) As permitted by the 1970 Housing Act, additional annual contributions should be made to meet all costs except those which low income families can afford in rentals. This should include not only the debt service, but also adequate maintenance, security, conservation and operation of public housing, and additional services. It should also cover the cost of work required to comply with anti-pollution legislation. The present needs and costs are higher than those which prevailed when the original annual contribution contracts were signed. If the annual contributions are not raised, local housing authorities will be forced to increase rents and income limits. This would jeopardize the continued achievement of the purpose of this program to serve low income families. Also, it will cause the deferment of necessary maintenance and repairs, thereby jeopardizing the physical condition and long-term life of the property. The present annual contributions were computed to assure their adequacy to meet debt service, but without provision for the increased later costs of maintenance and operation, or the need for additional services. There has been criticism of conventional public housing because of its failure to provide necessary services and because of its failure to carry out adequate renovation. Correction of these conditions should remove the cause of this criticism and produce a better living environment in public housing.

(b) The annual subsidy formula should be revised to permit the payment of the maximum annual contributions authorized by law with residual receipts being used either for project rehabilitation or improvement. At any time after completion of a public housing project, provision should be made for re-opening development cost, if necessary, to make additional loans for needed rehabilitation, improvements, or other purposes, with annual contributions correspondingly increased.

(c) While we believe the proposal for private management of turnkey housing is of dubious merit, we favor testing this new approach to determine whether it will produce benefits or improve techniques in the management of public housing and the achievement of the program's social objectives. The proposal should be recognized as a pilot and experimental program to be determined by local housing authorities. Meanwhile, NHC reaffirms the wisdom of continuing the present tested management operations through local authorities. They have long experience in handling the operations and problems and social aspects of public housing management. Moreover, they are clearly motivated by the public interest in managing public housing to serve low-income families. Local housing authorities

should be allowed the same budgets for their operations and management services on turnkey housing as are proposed for private management. NHC also recommends approval of experimental programs of local housing authorities for management of public housing by nonprofit organizations, since they likewise have motivations of public interest and social welfare.

(d) We again commend HUD for its flexibility in using existing legislative tools to develop a program which will enable low-income families to live in the same projects as families of moderate incomes instead of isolating families of each income group. Under this program, the low-income family can continue in occupancy when its income increases, but will no longer receive public housing subsidies; instead, it will get the benefit of a below-market interest rate. When the family becomes self-supporting, it will pay the full market rate of interest.

(e) The special subsidy for housing elderly and displaced persons is now available only in the event of a deficit operation. NHC recommends that this subsidy be made available generally in an amount equal to the difference between the rent paid per month and the average cost of operation.

(f) The 1968 Housing Act emphasizes the importance of good public housing design to the low-income family and to the local community. The Nation is concerned not only with the quantity of new public housing, but also with its quality. We urge HUD to take all actions necessary to achieve higher design standards for public housing developments.

(g) NHC recommends necessary adjustments in public housing income limits in those localities which have failed to keep pace with the increases in costs and incomes; also, there should be a recognition of the larger income which larger families require. Thus, there is no justification for a public housing limit for a larger family which would make a welfare recipient ineligible for occupancy.

(h) NHC recommends a revision in the letters of intent used by the Housing & Urban Development Dept. in its turnkey housing program, in order to make it mandatory for housing authorities to purchase the land and plans from the developer if—for any reason—the local housing authority and the developer fail to execute a contract to purchase.

(i) NHC suggests that local housing authorities draw down the purchase price of the completed improvements at the time of signing the turnkey contract of sale. This sum would then be deposited to the credit of the local housing authority with a banking institution in the community in which the project is being built and a Certificate of Deposit would be issued to the local housing authority bearing interest at the highest going rate. In consideration of the deposit, the banking institution would agree to make the construction loan to the turnkey developer at an interest rate not more than 2 percentage points higher than the interest paid by the banking institution to the local housing authority on the Certificate of Deposit, plus normal operation and service charges and fees.

(j) NHC understands that HUD has established a ceiling of 9,000 units for the Section 23 leasing program even though there are pending requests for about 45,000 units. NHC deplors any administrative action that prevents the full utilization of authorizations for this successful and imaginative program.

(k) The Section 23 leasing program should be administered in a manner which will permit longer term leases as this will expand the program including the encouragement of more new construction and rehabilitation.

(l) NHC recommends that the documentation required to qualify initially for the leasing program eliminate the unnecessary re-

quirement for development of detailed hypothetical data as to the extent of the potential supply of units.

(m) We urge HUD to restore the availability of consolidated annual contribution contracts and operating budgets for use by local housing authorities. This mechanism has been essential to enable most local programs involving more than one project to serve adequately a cross section of needs in the low income group. Also, this procedure has been necessary for the proper operation of projects with substantially different sizes, ages, neighborhoods, and design characteristics. Insistence by HUD on a separate annual contributions contract for each new project will exclude many development opportunities and impair sound and flexible management operations.

(n) When the local housing authority renews leases under the leasing program, there should be a price adjustment in the lease that takes into account price level changes.

#### CHAPTER G. URBAN RENEWAL PROGRAM

##### 1. Summary of existing legislation

1. *Objectives.* Urban renewal is a major instrument of reform which deals primarily with the physical side of removing blight. Its objective is to eliminate slum, blighted or deteriorating areas and provide for the use and disposition of land in accordance with comprehensive urban renewal plans that meet community needs. Over 1,000 cities are reclaiming such blighted areas for redevelopment or rehabilitation under urban renewal programs. The backlog of urban-renewal-grant applications was in excess of \$3 billion at the beginning of the fiscal year and new applications averaged over \$200 million per month, despite HUD actions to discourage applications by the imposition of more stringent requirements concerning program objectives and priority criteria. Each year about 60 additional communities are joining in the participation of the urban renewal program, after adopting workable programs for community improvement. There is a tremendous need for increased urban renewal authorizations to meet the requests of cities who are seeking to stop the insidious blight which is overwhelming their older neighborhoods.

##### 2. Authorizations and Limitations in the 1968 and 1969 Housing Acts.

(a) *Increased Authorizations in 1968 Act.* An additional \$1.4 billion of urban renewal grants was authorized by the Act for fiscal year 1970. In addition, there was an authorization of \$350 million for urban renewal grants for projects in model city areas, which supplements the previous authorization of \$250 million for this purpose.

(b) *Neighborhood Development Program (NDP).* The 1968 Act provides for a new approach to urban renewal which is intended to facilitate more rapid rehabilitation and redevelopment of blighted areas on an effective scale. Financial assistance would be provided for a neighborhood development program which consists of urban renewal undertakings and activities in one or more areas that are planned and carried out on the basis of annual increments. Financing is based on the amount of funds needed to carry out the activities planned during a 12-month period in each of the urban renewal areas in the community's program. As to subsequent annual increments of the program, the community would receive financial assistance to the extent that funds are then available and the community's program is acceptable to HUD. This will permit the undertaking of urban-renewal-execution activities, land acquisitions and public improvements simultaneously with planning.

(c) *Low and Moderate Income Housing.* The 1968 Act requires that a majority of the total number of housing units in a community's residential urban renewal project which receives Federal recognition after Au-

gust 1, 1968, must be for low and moderate income families or individuals. As to housing units in urban renewal areas, at least 20% of the total must house low-income families or individuals, but HUD may waive this 20% requirement to the extent that these units are not needed in the community.

(d) *Increased Authorizations in 1969 Act.* The 1969 Act amends the first sentence of Section 103(b) of the 1949 Act to increase the aggregate amount of capital grants which may be made under the urban renewal program by \$1.7 billion on July 1, 1970, and reserves 35 percent of available funds for fiscal year 1970 and fiscal year 1971 for neighborhood development programs.

(e) *Extension of Urban Renewal Assistance to Trust Territories.* The 1969 Act makes the Trust Territory of the Pacific Islands and the Indian tribes, bands, groups, and nations (including Alaska Indians, Aleuts, and Eskimos) of the United States eligible for:

- (1) urban renewal loans and grants for rehabilitation;
- (2) demolition grants;
- (3) code enforcement grants; and
- (4) interim assistance grants.

(f) *Extensions of Period of Eligibility of Local Grants-in-Aid.* The 1969 Act amends Section 110(d) of the 1949 Act to permit, in the case of any urban renewal program for which an application is filed but not approved on or before the date of enactment of the 1969 Act, credit for local grants-in-aid if construction of the public improvement or facility was commenced not more than 4 years prior to authorization by the Secretary of a contract for a loan or capital grant for the project. The period of eligibility otherwise applicable is 3 years. There are also other extensions of the period of eligibility of local grants-in-aid for certain projects.

(g) *Inclusion of Enclosed Pedestrian Malls as Eligible.* The 1969 Act amends Section 110(c) of the 1949 Act to include covered pedestrian malls and walkways (with related facilities) among the types of undertakings eligible for inclusion in urban renewal project costs.

(h) *Rehabilitation Grants.* The 1969 Act amends Section 115 of the 1949 Act to increase the maximum rehabilitation grant authorized under that section from \$3,000 to \$3,500.

(i) *Local Grant-in-Aid Credit for Certain University Facilities.* The 1969 Act amends Section 110(d) of the 1949 Act to make clear that medical facilities otherwise eligible for non-cash grant-in-aid credit may receive such credit if built on behalf (as well as if built by) a public university.

(j) *Replacement of Housing Units Where Project Involved Removal of Residential Structures.* The 1969 Act amends Section 105 of the 1949 Act to provide that if any urban renewal project which receives Federal recognition after the date of enactment of this Act includes the demolition or removal of any residential structures, there must be provided in the area within which the local public agency has jurisdiction by construction or rehabilitation standard housing units for occupancy by low and moderate income families at least equal in number to the number of units demolished or removed that were occupied by such families prior to demolition or removal. Replacement housing may be provided under Federal or State-assisted housing programs and may include units for low-rent housing in private accommodations assisted under Section 23 of the United States Housing Act of 1937. Where the Secretary of Housing and Urban Development deems it appropriate, he may take into account suitable housing outside the area within the jurisdiction of the local public agency for purposes of meeting this requirement. If the Secretary finds that the percentage of vacancies for all existing housing units in the area within which

the local public agency has jurisdiction is 5 percentum or greater, he may waive this requirement to the extent that he determines that there are existing standard housing units available for occupancy by displaced low and moderate income families.

3. *Amendments in Housing and Urban Development Act of 1970.*

(a) *Urban Renewal Grant Authority.* The 1970 Act amends Section 103(b) of the Housing Act of 1949 to increase the aggregate amount of capital grants which may be made under the urban renewal program by \$1.5 billion on July 1, 1971, and requires that not less than 35 percent of available funds during the fiscal years of 1970 through 1974 be made available for neighborhood development programs.

(b) *Relocation Payments.* The 1970 Act amends Section 114(b)(1) of the Housing Act of 1949 to provide that the Secretary of Housing and Urban Development may authorize the payment to displaced business concerns of fixed amounts in lieu of their total certified actual moving expenses where he determines that it is impractical for a displaced business concern to calculate the amount of such expenses.

(c) *Expenses in Connection with the Sale of Surplus Federal Lands to Local Urban Renewal Agencies.* The 1970 Act amends Section 108 of the Housing Act of 1949 to permit the Secretary to charge against the gross proceeds realized any property management or other expenses he incurs when Federal surplus real property is transferred to him for sale to a local urban renewal agency. Under existing law all the proceeds from such a transfer and sale must be deposited into the Treasury.

(d) *Early Closeout of Urban Renewal Projects.* The 1970 Act amends Section 106(1) of the Housing Act of 1949 to authorize the Secretary, in cases where the local public agency does not expect to be able in the reasonably near future, due to circumstances beyond its control, to dispose of remaining urban renewal project land, and the Secretary determines an early close-out of the project would be in the financial interest of the Government, to compute the net project cost and close out the project at no additional cost to the locality. The locality would receive an additional grant equal to one-third (or one-fourth) of the estimated disposition proceeds from the undisposed land. When such land was subsequently disposed of in accordance with the urban renewal plan the net proceeds realized would be paid to the Secretary. Under existing law early project closeout is only permitted where 5 percent or less of project land remains unsold.

4. *Authorizations in Appropriation Acts.* For fiscal 1969, \$750 million was authorized and appropriated for urban renewal grants. In addition, an advance appropriation was made of \$750 million of the \$1.4 billion authorized for fiscal 1970 in order to give communities more lead time for planning their urban renewal program. For urban renewal projects in model city areas, \$312.5 million was appropriated for fiscal 1969, as compared with the \$350 million authorized. Of the \$250 million authorized for grants on urban renewal projects in model city areas for the preceding fiscal year, \$150 million was appropriated. For fiscal year 1970, \$750 million previously appropriated was available plus \$250 million of new appropriations. \$1.35 billion was included in the appropriation act for fiscal year 1971 which was vetoed by President Nixon. Then, Congress passed another appropriation act for fiscal year 1971 with a reduced total of \$1.2 billion for urban renewal which was signed by the President.

#### II. Recommendations

1. *Urgent Need to Continue Program.* President Nixon's 1972 Budget Message requests only \$600 million for urban renewal

funds for the first half of fiscal year 1972, plus a \$200 million carry-over from this year. In addition, the Budget Message contemplates phasing out the rehabilitation grant program and consolidating it with three other categorical grant programs into a new community development grant program. For the reasons set forth in Chapter E, NHC opposes this plan to phase out the rehabilitation grant and other categorical grant programs. However, we are in agreement with the principle that these federal grants should be made available for use by local governments without federal accountability or program supervision, except for (1) compliance with non-discrimination obligations and (2) the use of funds for the specific purpose of the grant.

NHC also opposes the wiping out by the special revenue sharing program of authorizations not yet appropriated for urban renewal of \$1.96 billion. Finally, NHC deplors the recent announcement by the Bureau of Budget and Management that \$200 million of the \$1.2 billion appropriated for fiscal year 1971 will be frozen. In view of the tremendous backlog, this money should be made available immediately.

When there are additional legislative authorizations as recommended below, there should be additional appropriations for each fiscal year and an advance appropriation for the succeeding fiscal year. This will give communities more lead time for planning their urban renewal programs.

2. *Increase in Legislative Authorizations.* NHC recommends an increase in the authorizations for appropriations for a 5-year period at the following levels:

On July 1, 1971 (for fiscal year 1972) an additional authorization of \$3.0 billion.

On July 1, 1972 (for fiscal year 1973) an additional authorization of \$3.25 billion.

On July 1, 1973 (for fiscal year 1974) an additional authorization of \$3.5 billion.

On July 1, 1974 (for fiscal year 1975) an additional authorization of \$4.0 billion.

On July 1, 1975 (for fiscal year 1976) an additional authorization of \$4.5 billion.

As public agencies elect to utilize the alternative Community Development Program under our proposed amendment to Part C of Title I, the foregoing appropriations would be utilized to provide funds to carry out the new Community Development Program which would gradually replace the other program.

3. *Legislative Amendments Relating to Parts A and B of Title I of the Urban Renewal Act.* NHC recommends the following amendments to urban renewal laws:

(a) On capital grants for urban renewal, code enforcement and other comparable programs, there should be an increase in the federal grant to  $\frac{1}{4}$  from the present  $\frac{1}{8}$  which is paid to larger cities. For smaller cities, the  $\frac{1}{8}$  grants should be increased to  $\frac{1}{4}$ . Further, where the community elects to finance survey and planning costs at its own expense, the project capital grants for larger cities should be increased to  $\frac{1}{2}$  from  $\frac{1}{4}$ . Pooling all of such grants should be permitted for all urban renewal projects in the city. Where the urban renewal is located in a distressed area, the present subsidy of  $\frac{1}{4}$  should be increased to  $\frac{1}{2}$ .

(b) NHC recommends that action be taken to simplify both the legislative and administrative provisions relating to local non-cash grants-in-aid; also to embrace all types of such aids as being eligible for credits against the local contribution. The objective should be to eliminate most of the complexities of the rules, reviews and approvals of local non-cash credits and to extend benefits of this means of financing the local share of urban renewal project costs.

(c) A new program of loan and grant contracts should be authorized for the purpose of assisting the acquisition and rehabilitation of scattered properties in residential neighbor-

hoods designated for conservation, rehabilitation, or intensive code enforcement by an approved community renewal program. The cost of any new public improvements serving the rehabilitation properties should be recognized for appropriate grant-in-aid credits.

(d) Local public agencies should be authorized to make sales of industrial and commercial land for later development by non-profit industrial development corporations or properly constituted public bodies on the same basis as is now authorized under economic development laws.

(e) There should be a broadening of the existing statutory provisions for recognition of real property tax losses—on the land as improved before the demolition occurred—by the locality in an urban renewal area as a local grant-in-aid credit. Such losses should be computed from the date of acquisition of the property to the date of transfer of title.

(f) Where a project is in execution, tax abatement should count as a non-cash local grant-in-aid to the project when such tax abatement is granted to federally-assisted housing for the purpose of achieving lower rents and facilitating relocation unless there is a federal grant to reimburse the state and local taxing authorities for their tax losses.

(g) NHC supports special urban renewal provisions for central business districts which would clearly recognize that commercial and business obsolescence comes within the definition of blight whose removal is eligible under Title I. NHC supports special urban renewal provisions for central business districts, which would permit the renewal provisions for central business districts which would permit the renewal of such districts and recognize that employment, commercial, industrial, and cultural functions of central business districts are of vital importance to community growth and revitalization.

(h) There should be an amendment to the urban renewal law allowing any public facility to be eligible for non-cash grant-in-aid credit covering the full cost of the facility if its development was occasioned by the urban renewal program as certified by the urban renewal agency.

(i) Section 314 should be amended to provide that the Federal Government in special cases could pay up to 100% of the cost of the demonstration program.

(j) Non-cash grant-in-aid credits should be extended to cover air rights involved in the development costs for 221(d)(3) or 236 projects for low and moderate income families.

(k) Title I funds should be available for the reclamation of otherwise unbuildable land in urban areas on the same financial formulas now controlling other activities.

(l) Where state or local law requires abutting property owners to pay a portion of the cost of street repairs, federal urban renewal grants should be made to cover the owner's share when there is a showing of need.

(m) Under the Neighborhood Development Program, non-cash grants-in-aid—otherwise meeting time requirements—should become eligible as soon as HUD accepts an application for review.

(n) Costs of development of the initial application should be an allowable project cost.

(o) NHC urges legislation that would allow the owner of property in blighted areas which is either underdeveloped or contains a structure which is fully depreciated to be given the same tax allowances permitted under an involuntary conversion as though eminent domain, if he were to dispose of his property to a private developer and to include in the conveyance the appropriate restrictions and requirements of the urban renewal plan. Such a procedure would result in the achievement of the public purpose without the necessity of having the land pass through public ownership. Appropriate certification

by the local public agency could afford necessary safeguards. This could result in a considerable savings in public funds and savings in time which would otherwise be lost in the process of acquisition and subsequent disposition by the local public agency.

4. *Legislative Amendments Relating to Community Development Program.* NHC endorses and recommends an alternative Part C program under Title I which would provide for a total Community Development Program—a comprehensive community-wide program, prepared by the local community, including all physical development, rebuilding and rehabilitation activity, and eligible for federal funding on an annual basis. The key element in the program is the preparation by the locality of a Community Development Plan. In drafting it, the locality would have to take stock of its physical inventory, set priorities, and relate each component in the plan to the specific public need it seeks to meet. The plan, if approved, would receive federal funding on a yearly increment basis, similar to that in the NDP program. The locality's application to HUD would contain a three-year forecast of financial assistance needed, including a one-year budget and program, and a request for a second-year reservation of funds. The proposal calls for a three-year Federal authorization, with one year contract, a second year advance reservation, and a third year forecast. They would be updated annually. The activities proposed for inclusion in a Community Development Plan extend greatly beyond those now eligible under traditional urban renewal or NDP. Specifically, the CDP would include:

(a) The Program would involve modifications in existing legislation relating to renewal, codes, rehabilitation, and other aspects as described in the proposed new Part C of Title I. In addition to these items which would be funded out of CDP monies, the estimated cost of the following additional activities would be identified in the Program and there should be set aside the necessary Federal funds (which would not be CDP funds, except for rehabilitation grants) to assure their timely completion: (i) proposed housing and rehabilitation; (ii) water and sewer; (iii) neighborhood facilities; (iv) open space, urban parks, and urban beautification.

(b) The Title I program would continue, but the new program CDP is designed gradually to replace it.

(c) The Program would cover the entire community in both public and private developments. The Federal funding proposed for public improvements and facilities under the CDP would be available on a city-wide basis but only in locations designated in the CDP's budget.

(d) When a Community Development Program is approved for a city, there would be a reservation of funds for all of the following activities relating to it: (i) proposed housing and rehabilitation; (ii) water and sewer; (iii) neighborhood facilities; (iv) open space, urban parks, and urban beautification.

The estimated cost of these additional activities would be identified but would not be funded out of the CDP monies (except rehabilitation grants), but there would be set-asides of necessary Federal funds for each of these programs.

(e) Rehabilitation grants would be funded out of the CDP monies. Temporary loans could also be made from CDP funds for rehabilitation activities.

(f) Any activity contained in the operating budget of a Community Development Program would be eligible as a local contribution under the formula for a  $\frac{3}{4}$  Federal grant for larger cities and a  $\frac{1}{4}$  grant for smaller cities. The budget would also include funds for the design and construction of facilities to the extent that such funds are not otherwise available. This proposal for

CDP design and construction financing for supporting facilities when permanent financing is contemplated from other sources is to take the city's place when the city is slow in budgeting for the services or supporting facilities.

(g) While the CDP grant could not normally provide financing for the "supporting facilities" (schools, hospitals, etc.) it could provide, in addition to interim financing for design and construction, a five percent override incentive grant to certain Federal grants-in-aid; and, where necessary, definitive loans for permanent financing secured by a lease agreement.

(h) There would be a 20% supplementary grant for unrestricted purposes relating to programmed activities.

(i) The standards that would be applied for property acquisitions such as conditions, location and present use would be the same as currently set forth in Title I, as amended and in Title VII of the 1970 Housing Act.

(j) A local development corporation would be an eligible agency to undertake federally-assisted community development program activities, and could be so utilized by a locality. To be eligible to contract for such activity under a local CDP, a local development corporation should be able to: accept grants, gifts, and donations; make loans; issue stock; borrow funds; donate and dedicate land and improvements for public purposes; acquire property for development, redevelopment, rehabilitation, preservation, and conservation in accordance with a publicly-adopted plan; construct, repair or improve public facilities and improvements; construct or improve for industrial, commercial or residential purposes and hold or sell same for public or private use.

(k) The provision of supplementary services and functions necessary to successful operation of the CDP, such as health, education and training activities and day care centers for which there are no Federal programs available.

(l) Direct loans and grants for the conservation, preservation, and rehabilitation of other properties, as in the present 312 and 115 program.

#### 5. *Administrative Action:*

(a) NHC recommends the following administrative actions in the Neighborhood Development Program:

(1) It should be flexibly administered, particularly as regards the requirements for actions on plans for areas larger than those proposed for the action year.

(2) Every effort should be made to develop administrative guidelines which will permit the program to function smoothly under existing state renewal enabling legislation.

(3) The localities should have the option (without such action being prejudicial to their present or future programs) to employ the Neighborhood Development Program as the means of carrying out Title I activities, including the conversion of conventional Title I projects to the Neighborhood Development Program.

(b) NHC recommends, in those cases of condemnation of real property and when a deterioration has taken place through no fault of the owner, that an effort be made to predicate the compensation of the property on the fair market value before the deterioration. If legislation is needed to insure that equitable compensation is made in such cases, NHC recommends that appropriate legislative measures be taken.

(c) Cities whose population dropped below 50,000 in the 1970 census should be eligible for federal grants of  $\frac{3}{4}$ , rather than being limited to the  $\frac{1}{2}$  grant which was previously applicable to them based on the 1960 census. We believe this can be done through administrative action, but NHC recommends legislation if it is necessary.

## CHAPTER H. MODEL CITIES

## I. Summary of existing legislation

1. *Objectives.* NHC reaffirms its endorsement of the model cities program to launch local programs for the upgrading of entire neighborhoods. This is done through the concentrated and coordinated use of all available Federal aids and local private and governmental resources, including the supplementary Federal grants for such model cities. We urge acceleration in the disbursement and release of funds under the present program.

2. *Authorizations in the 1968 and 1969 Housing Acts.*

(a) The Housing Act of 1968 provided for (1) an increased authorization of \$1 billion for the fiscal year 1970 for supplemental grants and (2) \$12 million for fiscal year 1969 for grants to plan model cities programs. Any amounts authorized, but not appropriated, could be used for any succeeding fiscal year commencing prior to July 1, 1971.

(b) The 1969 Act amended Section 111(b) of the Demonstration Cities and Metropolitan Development Act of 1966 (with a conforming amendment in Section 111(c)) to authorize an additional \$600 million in grant authority for model cities for the fiscal year 1971.

(c) The 1969 Act amended Section 111(b) of the 1966 Act to require that (for the fiscal year 1970 and thereafter) 10 percent of any appropriations for Model Cities supplemental grants be used in cities of less than 100,000 population and to permit such use without regard to the statutory formula fixing the maximum Federal amount payable to any city at 80% of the aggregate required non-Federal contributions in connection with all Federal grant-in-aid programs which are carried out as part of the Model Cities program.

(d) The 1969 Act amended Section 111(c) of the 1966 Act to provide that amounts authorized but not appropriated for any fiscal year could be appropriated for any succeeding fiscal year commencing prior to July 1, 1971.

3. *Authorizations in Appropriation Acts.*

(a) Of the \$400 million authorized for supplemental grants to model cities for fiscal year 1968, \$200 million was appropriated. For fiscal year 1969, there was an authorization of \$500 million for supplemental grants but the amount appropriated was \$312.5 million. For fiscal year 1970, \$575 million has been appropriated instead of the \$1 billion authorized by the 1968 Act. Of the \$600 million authorized by the 1969 Act for fiscal 1971, the President requested \$575 million, which was included in the appropriation act for fiscal 1971.

(b) Of the \$12 million authorized for fiscal year 1967 for grants to plan model cities programs, there was an appropriation of \$11 million. For fiscal year 1968 there was an appropriation of the \$12 million which was authorized for such planning grants. No appropriation has been made of the \$12 million of planning grants authorized for fiscal year 1969 or 1970.

4. *Amendments in Housing and Urban Development Act of 1970.*

(a) *Authorization for Model Cities Programs.* The 1970 Act amends Section 111 of the Demonstration Cities and Metropolitan Development Act of 1966 to authorize new appropriations of \$200 million during fiscal year 1972 for the Model Cities Program; extends the availability period for unexpended funds to July 1, 1972; and eliminates administrative expenses from the appropriations authorized under Section 111 of the Act.

## II. Recommendations

1. *Urgent Need To Continue Program.* The Budget Message contemplates phasing out the model cities program and consolidating it

with three other categorical grant programs into a new community development grant program. For the reasons set forth in Chapter E, NHC opposes this plan to phase out the model cities and other categorical grant programs. However, we are in agreement with the principle that all Federal grants in aid of the model cities program should be made available for use by local governments without Federal accountability or program supervision, except for (1) compliance with non-discrimination obligations and (2) the use of funds for the specific purpose of the grant.

Originally the Administration's budget contemplated the obligation of only \$375 million of the \$575 million appropriated for fiscal 1971. Under this budget, \$157 million of the unspent funds would have lapsed on June 30, 1971. However, since the budget was published, the Administration has announced the release of \$148 million of impounded model cities funds in fiscal 1971 and \$288 million in fiscal 1972. Even at this rate, a total of \$296 million of model cities funds would be withheld by June 30, 1972.

NHC strongly opposes action to phase out the model cities program and allow these authorizations to lapse. All of these funds are urgently needed. Almost 150 cities are participating in this program and other cities have applications pending. The model cities program meets a critical need. It permits the creation of a comprehensive plan by a locality for the total social, economic and physical development of a specified section of the community. The comprehensive planning component of the model cities program should not be separated from program implementation.

2. *Increase in Legislative Authorizations.* NHC recommends a legislative increase in the appropriations for the model cities program for a 5-year period as follows: (a) additional supplemental grants at the rate of \$1.5 billion a year; and (b) additional model cities planning funds at the rate of \$50 million a year. We further recommend that there be advance appropriations for each fiscal year, besides the current one, to give cities more lead time for their planning and development of model city programs. While we are pleased to note the significant increase in cities now participating in the model cities program we urge that the foregoing recommendation be adopted to enable participation by all qualified cities and counties which apply; also, to enable participating cities and counties to obtain the additional funds which they require.

3. *Other Legislative Amendments.* The model cities program cannot achieve its goals and provide necessary housing unless there are increased authorizations and programs—as recommended elsewhere in this report—as follows:

(a) To expand urban renewal activities.

(b) To increase the supply of adequate low- and moderate-income housing in the model cities. Such housing should not be limited to what will be developed in the model neighborhood area or the city itself. New housing and related community facilities should be developed extensively on vacant land or other sites not involving substantial residential displacement.

(c) To increase Federal grant funds for water, sewer, and neighborhood facilities, and for open-space and urban beautification.

(d) To increase Federal grant funds for all other programs involved in model city areas, including those dealing with health, education, welfare, mass transportation, training and other purposes relating to urban affairs; also, to specifically designate such categorical funds for these purposes to be available for model cities.

4. *Other recommendations.* To achieve the objectives of this program, full coordination is required between HUD—and all of its participating constituents—and all of the other

Departments of the Federal Government who participate in the model cities program; also between the Federal Government and local governments. Each must effectively use all of its powers and available funds in doing its share of the total job. NHC recommends Presidential action and direction to assure that all participating Departments of the Federal Government fulfill their responsibilities under the programs for model cities and urban affairs, including (a) effective coordination and cooperation between them and (b) the priority handling of applications for assistance filed with the various Federal Departments by model cities.

## CHAPTER I. HOMEOWNERSHIP PROGRAM UNDER SECTION 235

## I. Summary of existing legislation

1. *Objectives.* Section 235 provides financial assistance to enable lower income families to acquire individual or cooperative homeownership. This law responds to the urgent desire for homeownership among lower income families who want the pride of owning their own home and the greater sense of security and dignity which it affords. Individual and cooperative ownership provides benefits not only to the owner, but to the community as well. Such owners take responsibility for maintaining and improving their homes. They acquire a stake in the community and participate in its affairs. The result is a more stable and wholesome living environment in which to rear children.

2. *Authorizations in the Housing Acts of 1968 and 1969.*

(a) HUD is authorized to enter into contracts to make periodic payments to lenders who make FHA-insured home mortgage loans to lower income families. The payments will be in an amount necessary to make up the difference between 20 percent of the family's monthly income and the required monthly payment under the mortgage for principal, interest, taxes, insurance, and mortgage insurance premium. In no case, however, can payment under the mortgage exceed the difference between (i) the required payment under the mortgage for principal, interest, and mortgage insurance premium and (ii) the payment that would be required for principal and interest if the mortgage bore an interest rate of 1 percent. The amount of the payment on each mortgage will vary according to the income of the homeowner. The family's income is required to be recertified at least every 2 years and appropriate adjustments made in the assistance payment to reflect any changes.

(b) The assistance payment is available for a purchaser having an income at the time of his initial occupancy, not in excess of 135% of the maximum income limits that can be established in the area for initial occupancy in public housing. However, up to 20 percent of the funds authorized in appropriation acts for the program can be used to assist families with incomes above these limits but which are not in excess of 90 percent of the income limits for occupancy in a section 221(d)(3) below-market interest rate housing project.

(c) In calculating the income of the homeowner for the purpose of determining eligibility as well as the amount on which the 20 percent computation will be made, there will be deducted \$300 for each minor child who is a member of the homeowner's immediate family and living with him. Also, income of minors will not be included in the homeowner's income for this computation. By administrative action pursuant to recommendations in the Senate Committee Report, there is a deduction of 5% of gross income to cover payroll deductions for social security taxes and compulsory pension funds.

(d) The amount of a home mortgage cannot exceed \$18,000 (\$21,000 in high cost areas). These limits are increased to \$21,000 (except that it may be \$24,000 in high cost

areas) for families with five or more members. The same limits apply as an average to the blanket mortgage of a cooperative.<sup>2</sup>

(e) On individual ownership of single family homes, the maximum downpayment is \$200 for families with incomes up to 135 percent of the maximum income limits that can be established in the area for initial occupancy in public housing and 3 percent of appraisal value in other cases.

(f) HUD is authorized to provide budget, debt management, and related counseling services to homeowners who purchase homes under the program.

(g) The housing, with a few limited exceptions, must be new or substantially rehabilitated housing, except that up to 30 percent of the amount of contracts authorized to be made before July 1, 1971 can apply to existing housing.<sup>3</sup>

(h) The aggregate amount of contracts to make payments cannot exceed amounts approved in appropriation acts. The payments pursuant to the contracts cannot exceed \$75 million per annum prior to July 1, 1969. This amount was increased by \$125 million on July 1, 1969,<sup>4</sup> by \$125 million on July 1, 1970, and by \$170 million on July 1, 1971.<sup>5</sup>

(i) The 221(h) program—with a new limit of \$50 million—is changed to allow the Secretary to reduce the interest rate on a home purchaser's mortgage under the program to as low as 1 percent where the purchaser's income justifies, with periodic adjustments between 1 and 3 percent to reflect changes in the homeowner's income. Under this program nonprofit mortgagors purchase and rehabilitate housing with financing under FHA insured mortgages and resell it to low-income families.

(j) Section 235(c) of the National Housing Act now authorizes homeownership assistance payments for home purchasers who assume mortgages and who are otherwise eligible.<sup>6</sup> Section 235(b)(2) of the act now allows subsequent eligible purchasers of cooperative units to get the benefit of homeownership assistance payments which were previously limited to the initial two purchasers of a cooperative unit.<sup>7</sup>

3. *Authorization in Appropriation Acts.* Of the \$75 million authorized under Section 235 for interest-assistance contracts prior to July 1, 1969, \$70 million of the contract authority has been embodied in appropriation acts. Of the \$100 million authorized in the 1968 Act—this authorization was increased to \$125 million in the 1969 Housing Act—for fiscal 1970, \$90 million was appropriated. The supplemental appropriation Act of 1970 contained \$35 million of contract authority. The appropriation act for fiscal year 1971 contains \$130 million of contract authority.

4. *Amendments in Housing and Urban Development Bill of 1970.*

(a) *Extension of Programs.* The 1970 Housing Act extends 235 program authority until October 1, 1972.

(b) The 1970 Housing Act authorizes the Secretary to compensate the lower income purchasers of existing homes under Section 235 for serious structural or latent defects in the homes which the FHA appraiser should have recognized if properly performing his duties. The defects must be reported within one year of the sale.

(c) *Interest Subsidy Authorization.* The 1970 Act amends section 235(h)(1) of the National Housing Act to increase, from \$125 million to \$150 million as of July 1, 1970 and from \$170 million to \$200 million on July 1, 1971, the aggregate amount of the contracts which may be entered into by the Secretary

to make periodic homeownership assistance payments. It also clarifies the authority of the Secretary of Housing and Urban Development to enter into contracts for assistance payments in an outstanding amount at any one time not in excess of the amount approved in appropriation Acts.

(d) *Assistance Payments with Respect to Existing Dwellings under Section 235.* The 1970 Act amends section 235(h) of the National Housing Act to provide that up to 30 percent of the total amount of contracts of homeownership assistance payments authorized to be made by appropriation Acts through fiscal year 1972 may be made with respect to nonrehabilitated existing dwellings or dwelling units in existing projects. It also provides that at least ten percent of the total amount of contracts for assistance payments authorized to be made by appropriation Acts after June 30, 1971 shall be available for use only with respect to rehabilitated dwellings.

(e) The Senate and House Committee reports contain language which supports a change in the administration of contract authority under Section 235. NHC agrees with the Committees that the manner in which HUD determines the amount to be charged against the contract authority when a contract is made has resulted in an overutilization of this contract authority and, therefore, a decrease in the number of families that can be assisted. This is caused by charging against the authorizations for each assisted home owner an amount equal to the full statutory subsidy necessary for the mortgage, even though the assisted family at the time it purchases the home will not receive the full subsidy. This has the effect of decreasing significantly the number of units for lower income families that can be financed under the program.

(f) *Assistance under Section 235 Program for Cooperative Projects Financed Under Certain State or Local Programs.* The 1970 Act amends section 235(b) of the National Housing Act to permit homeownership assistance payments to be made on behalf of lower income members of cooperative housing projects financed with aid under a State or local program which are approved by the Secretary prior to the completion of construction or substantial rehabilitation; this authority is comparable to similar authority contained in section 236 with respect to rental projects financed under State or local programs.

II. *Recommendations relating to present 235 program*

1. *Additional Authorizations in Appropriation Acts.* President Nixon's budget message for fiscal year 1972 did not request full funding for the Section 235 program, in spite of the tremendous backlog of applications. The budget requested \$175 million of contract authority for fiscal year 1972 against Congressional authorizations of \$200 million. In addition there was no request for \$25 million of supplemental authorization for fiscal year 1971. NHC strongly recommends that a request be made immediately for \$25 million of supplemental funding and that the full authorization for fiscal year 1972 be requested and appropriated.

We further recommend advance authorizations in appropriation acts to cover each succeeding fiscal year, besides the current one, to allow more lead time for the planning and initiation of homeownership programs for lower income families.

2. *Increase in Legislative Authorizations.* Currently there are no authorizations beyond fiscal year 1972 for Section 235. Therefore NHC recommends increasing the legislative authorizations for interest assistance contracts under Section 235 to the following:

On July 1, 1971 (for fiscal 1972) an additional authorization of \$250 million;

On July 1, 1972 (for fiscal 1973) an additional authorization of \$250 million;

On July 1, 1973 (for fiscal 1974) an additional authorization of \$300 million;

On July 1, 1974 (for fiscal 1975) an additional authorization of \$325 million;

On July 1, 1975 (for fiscal 1976) an additional authorization of \$350 million.

In addition to the foregoing authorizations, NHC recommends a separate and additional authorization of \$50 million for each of the five fiscal years beginning with 1972 to provide interest assistance for projects financed or assisted by state agencies.

3. *Other Legislative Amendments.* NHC makes the following recommendations for other legislative amendments:

(a) Under Chapter D, we recommend a number of amendments to the proposed new Section 402 which would replace Section 235 if the Administration's Housing Bill is enacted. If that bill is not enacted and Section 235 continues, we recommend the following amendments to Section 235 which appear in Chapter D:

(1) Substitute the new proposed formula in paragraph 2 of Chap. D III with respect to eligible deductions in computing family income, so that the criteria under Section 235 would be the same as those established for public housing under the 1970 Housing Act.

(2) Substitute the new proposed formula in paragraph 3 of Chap. D III so that the homeowner would be required to spend 20% of his income for housing expenses including mortgages payments, utilities, maintenance and repairs.

(3) Substitute the new proposed formula in paragraph 4 of Chap. D III with respect to income limits.

(4) Substitute the new proposed formula in paragraph 5 of Chap. D III which would provide varying amounts of subsidies for different income groups and which would achieve economic integration in a subdivision containing housing assisted under Section 235.

(b) The widely recognized increases in the costs of housing make it increasingly difficult—and in some areas impossible—to provide housing for the lower income group intended to be served under Section 235. To enable the program to reach this lower income group, NHC recommends that interest assistance be increased for those families who need it by reducing the payment of such families to the amount that covers only the principal payments on the mortgage without any interest. For those who can afford to pay interest, they would pay at a rate which they could afford ranging from 0% to the market rate.

(c) As a result of increases in housing construction and operating costs, there are more people who are now unable to obtain decent housing without Federal assistance. To enable the 235 program to reach these families and to achieve economic integration, it is necessary to eliminate income limits and thus avoid creating gaps and areas of unmet need in the housing program. Housing assistance subsidies should be based on the amount needed after the occupant pays the required percentage of his income. If Congress decides that income limits are necessary to continue this program and obtain funding for it, we recommend the revised income limit formula described in paragraph III 3(a)(3) of this chapter.

(d) NHC recommends an amendment which would increase the maximum mortgage limits under Section 235 up to 45 percent in high cost areas. The 20% increase in maximum mortgage limits in the 1969 Act is not adequate to allow construction of Section 235 housing in high cost urban areas.

(e) NHC recommends an amendment to provide supplemental funds for projects financed under 235 so that they can pay full

<sup>2</sup> Amended in 1969 Housing Act.

<sup>3</sup> Amended in 1969 Housing Act.

<sup>4</sup> Amended in 1970 Housing Act as described in paragraph 4(d) below.

<sup>5</sup> Amended in 1970 Housing Act as described in paragraph 4(c) below.

taxes or tax equivalents, rather than being dependent in some cases upon tax abatements which the cities cannot afford. Moreover, special federal grants should be authorized to offset the impact of locating low and moderate income housing in suburban and other areas where costs must be incurred for education, health or other services to the extent they cannot be met from collections of full taxes on the property. Such federal grants would provide an incentive and inducement to suburban and other communities to accept low and moderate income housing since it would not impose an additional financial burden on the community.

(f) NHC recommends a separate and additional authorization for state agencies administering housing programs using Section 235 funds in the amount of \$50 million for each of the next five fiscal years. This authorization should be in addition to the authorizations recommended below. To meet the accumulated backlog of applications for such 235 assistance filed in the HUD offices, the full amount of regular authorizations of 235 funds should be promptly allocated to HUD offices and there should be no withholdings in Washington for programs of State agencies. These should be covered by the special additional authorization of 235 funds which we recommend for use on projects financed or assisted through state and other public agencies.

#### CHAPTER J. RENTAL AND COOPERATIVE PROGRAM UNDER SECTION 236

##### I. Summary of existing legislation

1. *Objectives.* Section 236 provides financial assistance to enable lower income families to get rental housing or cooperative homeownership. This program is providing housing for families with incomes too high to qualify for public housing but too low to afford decent housing that could be produced in the private market. A tremendous unmet need exists for housing to serve moderate income families who cannot afford standard private housing without federal assistance. There is a long accumulated backlog of unfilled requests to serve this income group and applications for additional projects total over \$300 million. Unlike Section 221(d)(3), the capital financing under Section 236—as well as Section 235—is shifted to the private market where the mortgage loans must be obtained at market interest rates. Federal assistance payments make up the difference between the market rate of interest and 1% depending upon income.

One of the most successful efforts made by this country to provide housing for low and moderate income families was the Section 221(d)(3) program providing financing at a 3% below-market interest rate (BMIR) for rental and cooperative housing. Since starting in 1961, this program became widely known and accepted as an effective way to produce low and moderate income housing. However, just as the Section 221(d)(3) BMIR program was reaching its greatest efficacy in 1968, HUD abruptly cut off funds and asked private sponsors to switch to the Section 236 interest assistance program. The 221(d)(3) program served many moderate income people who will not be eligible for interest assistance under 236, so there is a continuing need for it.

##### 2. Authorizations in the Housing Acts of 1963 and 1969.

(a) Section 236 assistance is in the form of periodic payments to the mortgagee financing the housing to reduce the mortgagor's interest costs on a market rate FHA-insured project mortgage.

(b) The interest assistance payments reduce payments on the project mortgage from that required for principal, interest, and mortgage insurance premium on a market rate mortgage to that required for principal and interest on a mortgage bearing an interest rate of 1 percent.

(c) The interest assistance payments reduce rental or occupancy charges to a basic

charge. A tenant or cooperative member will either pay (1) the basic charge or (2) such greater amount as represents 25 percent of income for total housing expense, but not in excess of the charges which would be necessary without any interest assistance payments. Incomes of tenants or cooperative members will be reexamined at least every 2 years for the purpose of adjusting charges. Rental or occupancy charges collected in excess of the basic charges are to be returned to HUD for deposit in a revolving fund for the purpose of making other interest assistance payments.

(d) Tenants or cooperative members of these projects who pay less than the fair market rental charge for their units will generally have incomes, at the time of their initial occupancy, not in excess of 135 percent of the maximum income limits that can be established in the area for initial occupancy in public housing dwellings. However, up to 20 percent of the contract funds authorized in appropriation acts may be made available for projects in which some or all of the units will be occupied, at the time of the initial occupancy, by tenants or cooperative members whose incomes exceed the above limit but do not exceed 90 percent of the income limits for occupancy of Section 221(d)(3) below-market-interest-rate housing.

(e) In determining income for the purpose of eligibility as well as the amount of rent or occupancy charges to be paid, a \$300 deduction is permitted for each minor person in the family and any income of such minor is not counted. By administrative action pursuant to recommendations in the Senate Committee Report, there is a deduction of 5% of gross income to cover payroll deductions for social security taxes and compulsory pension funds.

(f) To qualify for mortgage insurance under the new program, a mortgagor must be a nonprofit organization, a cooperative, or a limited dividend entity of the types permitted under the section 221(d)(3) housing program. The mortgage limitations with respect to maximum mortgage amount are the same as for mortgages insured under the 221(d)(3) program. Interest assistance payments can also be made with respect to State-aided housing projects approved for receiving the benefits of the program prior to completion of construction or rehabilitation of the projects.

(g) Contracts for assistance payments are authorized, subject to approval in appropriation acts, in the amount of \$75 million annually prior to July 1, 1969. This amount is increased by \$125 million on July 1, 1969,<sup>6</sup> by \$125 million on July 1, 1970, and by \$170 million on July 1, 1971.<sup>7</sup>

(h) A project financed under the new program can include such nondwelling facilities as HUD deems adequate and appropriate to serve the occupants of the project and the surrounding neighborhood, as long as the project is predominantly residential and any nondwelling facilities contribute to the economic feasibility of the project. Where a project is designed primarily for occupancy for their use, such as dining, work, recreation, and health facilities.

(i) A cooperative or private nonprofit corporation or association can purchase a project from a limited dividend mortgagor and finance the purchase with a mortgage insured under the program.

(j) Rent Supplement payments may be provided for tenants in projects financed under Section 236, but no more than 20 percent of the units in any one project can receive rent supplement assistance.<sup>8</sup>

<sup>6</sup> Amended in the 1969 Act.

<sup>7</sup> Amended in the 1970 Act as described in paragraph 4(b) below.

<sup>8</sup> Amended in the 1969 Act to allow up to 40 percent in cases where the Secretary determines that there is a need for additional rent supplement units.

(k) Section 236(b) of the National Housing Act now authorizes interest reduction payments with respect to part of a mortgage on a rental or cooperative housing project financed under a State or local program.<sup>9</sup>

(l) The dollar limits for mortgages on multifamily housing insured under Section 236 and 221(d)(3) have been increased by 15 percent.<sup>9</sup>

##### 3. Authorization in Appropriation Acts.

Of the \$75 million authorized under Section 236 for interest-assistance contracts prior to July 1, 1969, \$70 million of the contract authority has been embodied in appropriation acts. Of the \$100 million authorized in the 1968 Act—this authorization was increased to \$125 million in the 1969 Housing Act—for fiscal year 1970, \$85 million was appropriated. The supplemental appropriation Act of 1970 contained \$35 million of contract authority. The appropriation act for fiscal year 1971 contained \$135 million of contract authority.

##### 4. Amendments in the Housing and Urban Development Act of 1970.

(a) *Extension of program.* The 1970 Act extends 236 program authority until October 1, 1972.

(b) *Interest Subsidy Authorization.* The 1970 Act amends Section 236(l) of the National Housing Act to increase, from \$125 million to \$150 million as of July 1, 1970 and from \$170 million to \$200 million on July 1, 1971, the aggregate amount of the contracts which may be entered into by the Secretary to make periodic interest reduction payments on behalf of owners of rental housing projects designed for occupancy by lower income families. It also clarifies the authority of the Secretary of Housing and Urban Development to enter into contracts for assistance payments in an outstanding amount at any one time not in excess of the amount approved in appropriation Acts.

(c) *Inclusion of Certain Costs in Section 236 Projects.* The 1970 Act amends section 236(b) of the National Housing Act to authorize the Secretary, in computing the amount of rental assistance payments, to treat fees and charges imposed on mortgagors participating in State or locally financed mortgage lending programs in the same manner as FHA charged mortgage insurance premiums.

(d) *Use of Certain Housing Facilities Under Section 221 and Section 236 for Classroom Purposes.* The 1970 Act amends sections 221 and 236 of the National Housing Act to authorize the use of available facilities in existing section 221 and 236 rental or cooperative housing projects for classroom purposes where public schools are overcrowded due in part to the project.

(e) *Congregate Housing for the Displaced, Elderly and Handicapped.* The 1970 Act amends section 221 of the National Housing Act to authorize the Secretary to insure mortgages covering rental projects to be occupied by displaced, elderly, or handicapped persons, which may contain community kitchens, common dining areas, and other shared facilities.

The Act also amends section 236 of the National Housing Act to authorize the insurance of mortgages under that section covering rental projects to be occupied by displaced, elderly or handicapped persons which need not, with the approval of the Secretary, contain kitchen facilities. Up to 10 percent of the total amount of interest reduction payments contracted to be made pursuant to appropriation acts after the date of the enactment of the Housing and Urban Development Act of 1970 may be made with respect to such projects.

##### II. Recommendations

1. *Additional Authorizations in Appropriations Acts.* President Nixon's budget message for fiscal year 1972 did not request full funding for the Section 236 program, in spite of the tremendous backlog of applications. The budget requested \$175 million

of contract authority for fiscal year 1972 against congressional authorizations of \$200 million. In addition there was no request for \$25 million of supplemental authorizations for fiscal year 1971. NHC strongly recommends that a request be made immediately for \$25 million of supplemental funding and that the full authorizations for fiscal year 1972 be requested and appropriated.

We further recommend advance authorizations in appropriation acts to cover each succeeding fiscal year, besides the current one, to allow more lead time for the planning and initiation of homeownership programs for lower income families. Currently there are no authorizations beyond fiscal year 1972 for Section 236. Therefore NHC recommends the additional legislation authorization below.

**2. Increase in Legislative Authorizations.** NHC recommends increasing the legislative authorizations for interest assistance contracts under Section 236 to the following:

On July 1, 1971 (for fiscal 1972) an additional authorization of \$250 million;

On July 1, 1972 (for fiscal 1973) an additional authorization of \$275 million;

On July 1, 1973 (for fiscal 1974) an additional authorization of \$300 million;

On July 1, 1974 (for fiscal 1975) an additional authorization of \$350 million;

On July 1, 1975 (for fiscal 1976) an additional authorization of \$400 million.

In addition to the foregoing authorizations, NHC recommends a separate and additional authorization of \$50 million for each of the five fiscal years beginning with 1972 to provide interest assistance for projects financed or assisted by state agencies.

**3. Other Legislative Amendments.** NHC makes the following recommendations for other legislative amendments:

(a) Under Chapter D, we recommend a number of amendments to the proposed new Section 502 which would replace Section 236 if the Administration's Housing Bill is enacted. If that bill is not enacted and Section 236 continues, we recommend the following amendments to Section 236 which appear in Chapter D:

(1) Substitute the new proposed formula in paragraph 2 of Chapter D III with respect to eligible deductions in computing family income, so that the criteria under Section 236 would be the same as those established for public housing under the 1970 Housing Act.

(2) Substitute the new proposed formula in paragraph 3 of Chapter D III so that the occupant in multifamily housing under Section 236 would be required to spend 20% of his income for total housing expenses.

(3) Substitute the new proposed formula in paragraph 4 of Chapter D III with respect to income limits.

(4) Substitute the new proposed formula in paragraph 5 of Chapter D III which would provide varying amounts of subsidies for different income groups and which would achieve economic integration in a housing development so assisted under Section 236.

(b) NHC recommends that Section 236 and Section 221(d)(3) should be amended to remove the 10% limit on the number of units in a project which may be occupied by moderate-income individuals as distinguished from families. All moderate-income individuals would then be treated in the same manner as those who are elderly or handicapped.

(c) Conditions on Grants to State Housing Agencies. Currently there are fourteen states that have legislative authority to operate agencies to finance low and moderate income housing through the sales of short-term notes and long-term bonds. Twelve more states have such bills in some stage of development. These agencies have been encouraged by HUD because they can provide lower cost mortgage money which is obtained because the interest is tax-exempt. Therefore, if the mortgage is placed with a state

agency, the Section 236 interest subsidy money will generate more units because less interest subsidy is necessary. However, NHC believes that the operation of these state agencies should adhere to uniform standards and forms of the type prescribed by FHA if we are to encourage national builders in the subsidized programs. For builders currently doing business in several states, the proliferation of different housing rules and regulations will be an impediment to production of low and moderate income housing. Therefore, NHC suggests an amendment which would require state agencies in the administration of Section 236 funds to continue using FHA forms and standards which now include protections for the consumer.

(d) NHC recommends a separate and additional authorization for state agencies administering housing programs using Section 236 funds in the amount of \$50 million for each of the next five fiscal years. This authorization should be in addition to the authorizations recommended below. To meet the accumulated backlog of applications for such 236 assistance filed in the HUD offices, the full amount of regular authorizations of 236 funds should be promptly allocated to HUD offices and there should be no withholdings in Washington for programs of State agencies. These should be covered by the special additional authorization of 236 funds which we recommend for use on projects financed or assisted through state and other public agencies.

**4. Administrative Actions.** NHC makes the following recommendations for administrative actions:

(a) FHA should establish cost limits which will be realistic and workable in high cost areas, including both high and low rise buildings. This is necessary to assure that housing under 236 can be constructed within the cities in closer proximity to places with employment and public transportation.

(b) As to the cost of periodic income recertifications of occupants, FHA should pay these costs from the surcharges collected from over-income families. At present, these costs are treated as a project expense which results in an additional charge to occupants.

(c) From the beginning, Congress contemplated that 20% of the Section 236 funds would be available for "exception income limit" families. The Committee reports express the desire that HUD administer the 236 program in a manner which will achieve the Congressional mandate of economic integration. However, some of the HUD offices have declined to allow exception limit families to be accepted because they are erroneously assuming that all exception limit authority must be reserved for high-cost areas. This denies the opportunity to achieve economic integration in other parts of the country which do not require higher rates of subsidy and higher project costs. This defeats the intention of the law. The Administration should allow families to be accepted at exception limits in all geographic areas to facilitate the general achievement of economic integration in projects.

(d) While the Senate and House Committee Reports contained language directing HUD to more fully utilize contract authority only in Section 235 cases, NHC believes that HUD should take similar steps in the administration of Section 236 funds. There should be a periodic reevaluation of the policy of charging an amount equal to the full subsidy against the authorizations for each project. If it is found that certain projects have not fully utilized this subsidy and that payments are being made to HUD, some of this money should be reallocated to generate new construction.

#### CHAPTER K. SPECIAL MORTGAGE INSURANCE ASSISTANCE UNDER SECTION 237

##### I. Summary of Existing Legislation

1. **Objectives.** Section 237 can provide help to assure adequate housing for families of

low and moderate income who—because of poor credit records, irregular income or seasonal employment—are unable to meet the credit requirements for purchasing single-family homes financed by a mortgage insured under Sections 203, 220, 221, 234, or 235(j)(4). This help is to be extended to those who appear able to achieve homeownership through counseling assistance.

##### 2. Authorizations in the Housing Acts of 1968 and 1969.

(a) HUD is authorized to insure mortgages under the above-mentioned programs in an amount not to exceed \$15,000 with increases not to exceed \$17,500 in high-cost areas.

(b) Monthly payments, in combination with local real estate taxes on the property, must total 25% of the applicant's monthly income during the year prior to his application or the average monthly income during the three years prior to his application, whichever is higher.

(c) The Secretary is authorized to provide or contract with public or private organizations to provide budget, debt management and related counseling services to those obtaining housing under Section 237.

(d) The aggregate principal balance of all mortgages insured under Section 237 and outstanding at one time may not exceed \$200 million.

(e) Authorizations are made in such sums as necessary to carry out the provisions of Section 237.

(f) The 1969 Housing Act amends Section 237(d) to include families who are applying for section 235 homeownership assistance among the applicants under Section 237 who are to be given a preference for mortgage insurance and counseling services. Prior to this amendment, preference for Section 237 mortgage insurance—which is available to applicants who do not meet normal FHA credit standards—was limited to families living in public housing units (especially over-income families required to vacate public housing) and families eligible for public housing who have been displaced from federally assisted urban renewal areas.

##### II. Recommendations

NHC recommends necessary appropriation of funds to enable FHA to provide budget, debt management, and related counseling services to those obtaining housing under Section 237. Thus far no such funds have been appropriated for this specific purpose, but FHA is performing Section 237 services with existing operating funds. In addition to assistance under Section 237, NHC urges that FHA make payments available under Section 235(e) to mortgagees to reimburse the mortgagee for its expenses in handling the mortgage. This should include assistance to mortgagors in their budgeting to assure ability to meet mortgage payments.

#### CHAPTER L. THE RENT SUPPLEMENT PROGRAM

##### I. Summary of existing legislation

1. **Objectives.** The Rent Supplement Program is an innovative approach to low income housing. It utilizes the free enterprise system and has been strongly endorsed by the home-building, real estate, and insurance industries. It provides incentives for people to escape from poverty, and for the building of modest but decent housing for those who need it most.

2. **Authorizations in the Housing Acts of 1968 and 1969.** The 1968 Housing Act made all previous authorizations for rent supplement contracts aggregating \$150 million available for contract prior to July 1, 1969, but only to the extent that these contract authorizations were contained in appropriation acts. The Act provided for an additional \$40 million in contract authority for rent supplements in fiscal year 1970 and an additional \$100 million in contract authority for fiscal year 1971. The 1968 Housing Act provided that state aided projects are eligible for rent supplements if the projects are ap-

proved for such assistance prior to completion of construction or rehabilitation. The 1969 Housing Act authorized the Secretary of HUD to increase, where he deems desirable, the maximum percentage of rent supplement units in 236 projects from 20% to 40%.

3. *Authorization in Appropriation Acts.* Of the \$150 million authorized for rent-supplement contracts prior to July 1, 1969 only \$72 million of the contract authority has been embodied in appropriation acts. Of the \$100 million authorized for rent-supplement contracts for fiscal 1970, the appropriation act for fiscal year 1970 provided for only \$50 million in rent-supplement contract authority. The appropriation act for fiscal year 1971 contained \$55 million.

4. *Housing and Urban Development Act of 1970.*

*Rent Supplement Payments.* The 1970 Act amends section 101(a) of the Housing and Urban Development Act of 1965 to increase, by \$40 million on July 1, 1971, the aggregate amount of contracts that the Secretary of Housing and Urban Development may enter into to make rent supplement payments.

## II. Recommendations

1. *Additional Authorization in Appropriation Acts.* NHC recommends that appropriation acts include the additional rent supplement contract authorization in the 1968, 1969 and 1970 Acts but which have not been included in appropriation acts. In making these recommendations, we again urge the need for advance authorizations in appropriation acts for each succeeding fiscal year, besides the current one, to allow more lead time for the planning and initiation of rent supplement programs. NHC regrets that President Nixon's request of \$60 million for inclusion in the 1972 Appropriation Act did not include a request for an advance appropriation.

2. *Increase in Legislative Authorizations.* NHC recommends increasing the legislative authorizations for rent-supplement contracts as follows:

On July 1, 1971 (for fiscal 1972) an additional authorization of \$80 million;

Only July 1, 1972 (for fiscal 1973) an additional authorization of \$90 million;

On July 1, 1973 (for fiscal 1974) an additional authorization for \$100 million;

On July 1, 1974 (for fiscal 1975) an additional authorization for \$100 million;

On July 1, 1975 (for fiscal 1976) an additional authorization for \$100 million.

3. *Other Legislative Amendments.* NHC makes the following recommendations for other legislative amendments:

(a) The rent supplement legislation imposes too great a burden on low income families by requiring them to pay rents equal to 25% of their annual income since rent supplements will pay only the difference between such a rental payment and the fair market rental. To eliminate this hardship, NHC recommends that this rent paying requirement be reduced to 20% of family income. A similar recommendation has been made elsewhere in these recommendations relating to the present requirement that too high a percentage of family income be spent for housing under the interest assistance programs of Sections 235 and 236, and (in Chapter D) under the new proposed consolidation of these programs.

(b) There should be an increase in the statutory ceiling on the amount which can be paid as rent supplements on a project in order to reach families of very low incomes whose needs cannot be met now. There should be no areas of unmet need in our housing program.

(c) Counseling and social services should be made available to residents of housing aided by rent supplements. Such services should be allowable housing costs in computing rent supplement payments.

(d) The present law limits rent supplements to lower income families who are living in substandard housing. NHC recommends that the law be amended to include overcrowded conditions—properly defined as to appropriate occupancy limits—as a substandard housing condition; also to permit any low income family to be eligible for housing aided by rent supplements so long as the family qualifies as to low income, even though the family does not live in physically substandard housing. This would meet the needs of newly-formed families and those who are spending too much of their low income for housing.

(e) There should be a repeal of the requirement in appropriation acts for a workable program or local government approval before rent supplements can be used in a locality.

(g) NHC urges the establishment of an additional rent supplement program for non-profit or limited-profit mortgagors who own buildings which are not financed under Section 221(d)(3) or 236. When the buildings meet code standards—or are rehabilitated to meet such standards—rent supplements should be made available so that the housing can serve low-income families. Present rent supplement requirements for rehabilitation are often unworkable because they cost too much. Rehabilitation to meet code requirements should be acceptable. This will stimulate rehabilitation and provide standard housing quickly and reasonably for many low and moderate income families.

### 4. Administration Actions.

(a) Construction cost limitations were initially established in the rent supplement program which were unworkable in many high-cost cities that faced the greatest need for this program. HUD has approved some increases in these cost limits. However, these increases are insufficient due to cost increases, so NHC strongly recommends further increases in the cost limitations to keep pace with the increases in construction costs. Only through adequate construction cost allowances can the rent supplement program fulfill its purpose of serving low income families in these cities near the places of employment and public transportation.

(b) FHA has established lower limits as to the amount of rent supplements available for families in a project than the amount permitted by the statute. NHC recommends the repeal of these lower administrative limits which limit the subsidy to 70% of economic rent. HUD should be prepared in appropriate cases to contract to pay the full amount of rent supplements on a project up to the statutory ceiling. Only in this way can the needs of many low income families be met, particularly in high cost areas.

(c) The standards under the rent supplement program should be upgraded to produce better-designed housing which will more adequately meet the needs of families, with attention to their comfort and convenience. Thus, the limit of one bathroom per dwelling unit should be removed, as this denies adequate sanitary facilities for larger families.

### CHAPTER M. HOUSING FOR FAMILIES RECEIVING PUBLIC ASSISTANCE; EXPERIMENTAL HOUSING ALLOWANCE PROGRAM; ALSO CODE ENFORCEMENT

1. Four million American families are receiving all or part of their income from public assistance programs. Many of these families are ill-housed, primarily because welfare grants in most cities are inadequate to pay the cost of standard housing. NHC urges the enactment of legislation which would establish and enforce minimum standards for housing occupied by recipients of public assistance. In addition, such legislation should provide that the Federal Government bear the entire cost for decent housing above the present inadequate public assistance allow-

ances for shelter. Thus, families on public assistance would receive a federal housing allowance to supplement the local public assistance shelter allowance in order to cover the full charge for decent housing. Such federal housing allowances should be made in a manner (i) which will encourage rather than discourage ownership and (ii) which will provide security for the recipient against being subjected to the liens that are sometimes involved in local public assistance programs.

2. Even if programs are undertaken at the scale proposed elsewhere in these Resolutions, it will be years before many of the low income families will be able to obtain decent housing within their means. Therefore, NHC believes it is important to initiate an experimental program of federal housing allowances for low income families. Besides the initial program for federal housing allowances—described in the preceding paragraph—to supplement local allowances for welfare families, we propose such an experimental program which would involve explorations and demonstrations concerning the following:

(a) The type of families which should be eligible for a federal housing allowance, including criteria that they live in substandard housing and pay a disproportionate amount of their income for housing; or that they are being displaced from adequate housing and are unable to obtain other suitable housing at charges they can afford.

(b) The amount to be paid as a federal housing allowance; we recommend the difference between (i) 20% of the family's income and (ii) the monthly cost of adequate housing available in the community.

(c) Adequate consumer protections to assure that federal housing allowances will not inflate housing charges, by limiting the use of existing structures—which meet the foregoing standards—to cases where there are sufficient vacancies to avoid such increases in housing charges.

(d) Adequate measures to assure that housing allowances will be used solely to pay for housing costs, rather than being diverted for other purposes.

(e) Safeguards to assure that the federal housing allowance will result in adding to the supply of decent housing in the community through new construction or rehabilitation, except to the extent that decent vacant housing is available in a suitable neighborhood.

3. The 1970 Act authorizes the Secretary to conduct research programs to demonstrate the feasibility of providing low income families (those families eligible for occupancy in public housing projects in an area) with housing allowances to assist them in obtaining existing standard rental housing of their choice. The housing allowance may not exceed the difference between 25 percent of the family's income and the fair market rental of similar sized units or projects receiving rent supplement benefits. The Act also authorizes the Secretary to contract with public or private organizations to help select eligible families. The Secretary is authorized to contract to make annual housing allowance payments of \$10 million for each of fiscal years 1972 and 1973. The program would be terminated as of June 30, 1973.

4. NHC recommends Federal grants to housing authorities or other public agencies—as described elsewhere in these recommendations—to bring housing up to minimum code standards and to make it available for families of low income, including those who are receiving public assistance.

5. NHC urges an acceleration of concentrated code enforcement in deteriorating areas, together with necessary public improvements to halt their decline. The costs of code enforcement programs—both for determining Federal grants and local grant-

in-aid credits—should include all costs incurred for repair or installation of streets, sidewalks, streetlighting, trees, parks, open areas, recreational facilities, and other necessary improvements.

6. The 1969 Housing Act contains some provisions to meet these recommendations by enabling very low income people to live in public housing.

We urge that HUD fully utilize and implement this legislation to meet the needs of this very low income group which was formerly below the reach of public housing. Also, the full amount of the authorization should be released by the Bureau of the Budget, instead of reducing from \$75 million to \$33 million the contract authority now available for annual contributions.

#### CHAPTER N. REHABILITATION OF HOUSING

##### I. Summary of existing legislation

1. *Need.* NHC again reaffirms the importance of saving existing neighborhoods through rehabilitation and other conservation measures. It is sound policy to improve our present housing supply and conserve neighborhoods rather than allow them to deteriorate until they require greater costs in demolition and reconstruction.

##### 2. Authorizations in 1968 and 1969 Housing Acts

(a) *Dwellings Eligible for Rehabilitation Grants and Loans.* The 1968 Act broadened the program of rehabilitation loans under Section 312 for repairs and improvements of dwellings. Instead of limiting the program to dwellings located in urban renewal and code enforcement areas, owners and tenants of dwellings are eligible for loans if the dwelling is located in an area certified by the public governing body as containing a substantial number of structures in need of rehabilitation, and

(1) If the locality has a workable program; and

(2) If the area is definitely planned for rehabilitation or code enforcement within a reasonable time, and the repairs to be assisted are consistent with the plan for rehabilitation or code enforcement.

The 1968 Act authorizes rehabilitation grants under Section 115 to low income homeowners whose properties are located in an area of the character described above, instead of limiting such grants to dwellings in urban renewal and code enforcement areas. The Act also authorizes the Secretary of HUD to make rehabilitation grants and loans to low income homeowners whose property has been determined to be uninsurable because of physical hazards. Such grants or loans may be made only to rehabilitate the property to the extent necessary to make it insurable under a statewide plan.

(b) *Increase in Rehabilitation Loan Authorizations.* The 1968 Act increases the amount authorized to be appropriated for rehabilitation loans. The increase for each fiscal year is from \$100 million to \$150 million; also, the program is extended to June 30, 1973. The 1968 Act limited eligibility for residential rehabilitation loans to persons whose annual income meets the locally applicable income limits for the section 221(d) (3) below-market-interest-rate program. The 1969 Act amended Section 312(a) of the Housing Act of 1964 to remove the requirement limiting eligibility for residential rehabilitation loans to persons whose annual income is within locally applicable income limits for the Section 221(d) (3) below-market-interest-rate program. However, priority will be given to applicants whose incomes are within those limits.

(c) *Increase in Rehabilitation Grants.* The Housing Act of 1968 increased the limit on the amount of a rehabilitation grant to a low income homeowner from \$1,500 to \$3,000. The 1968 Act increased this limit to \$3,500.

(d) *Repeal of Urban Renewal Limit on*

*Acquisition and Rehabilitation.* The Act removes the previous limits on the acquisition and rehabilitation of residential properties by local renewal agencies. Under prior law, such agencies could acquire and rehabilitate for demonstration purposes no more than 100 units or 5% of the total residential units suitable for rehabilitation in an urban renewal area, whichever was the lesser. This limit has been repealed.

3. *Authorization in Appropriation Acts.* Nothing was appropriated in Fiscal Year 1969, \$45 million was appropriated for Fiscal Year 1970, and \$35 million has been appropriated for Fiscal Year 1971.

4. *Amendments in the Tax Reform Act of 1969 Relevant to Rehabilitation.* A special 5-year amortization deduction is now allowed for expenditures made on or after July 25, 1969, and before December 31, 1974, for the rehabilitation of buildings for low-cost rental housing. This rapid amortization is available only where the property is held for occupancy by families and individuals of low or moderate income determined in a manner consistent with the policies of the 1968 Housing Act. The aggregate rehabilitation may not exceed \$15,000 per dwelling unit and the sum of the rehabilitation expenditures (over a 2-year period) must exceed \$3,000 per dwelling unit.

5. *Amendments in Housing and Urban Development Act of 1970.*

*FHA Rehabilitation Standards for Housing in Urban Renewal Areas.* The 1970 Act adds a new section 524 to the National Housing Act which requires the Secretary of HUD, with respect to properties approved for mortgage insurance prior to rehabilitation, to apply uniform property standards as between properties located within urban renewal areas and those located outside such areas.

##### 6. Project Rehabilitation.

This new program will attempt to help cities undertake large-scale, low-cost rebuilding of rundown low-cost housing. Estimates are that a major rehabilitation effort will involve nearly 22,000 housing units in ten cities. The rehabilitation units are primarily in absentee-owned slum buildings.

The first cities getting HUD approval of plans, technical assistance and program funds are Cincinnati, Detroit, El Paso, Hartford, Indianapolis, Memphis, New York, Philadelphia, Pittsburgh, and Seattle. HUD fund assistance includes financing under the public housing program, rent supplements, and mortgage assistance interest subsidies for both rental projects, cooperatives, and homes bought by lower income families. Project Rehabilitation is directed by a team of officials from such HUD areas as FHA, Renewal and Housing Management, Model Cities, Equal Opportunity, and Research and Technology. Six criteria determine selection of cities by project teams which visit localities seeking HUD assistance. These are suitable rental properties, skilled contractors, capable sponsors, job and enterprise opportunities for neighborhood residents, neighborhood acceptance, and assistance for displaced families.

#### II. Recommendations

1. To provide additional tools that are needed to achieve substantial progress through rehabilitation, NHC recommends the following:

(a) Section 312 should be amended to increase to \$500 million the annual appropriations in each fiscal year to carry out the program. Section 312 should broaden the category of eligible borrower's to include public bodies, cooperatives, nonprofit corporations and limited dividend companies in addition to owners or tenants who are now eligible.

(b) While the 1969 Housing Act increases to \$3,500 the federal rehabilitation grants to eligible occupants who own their own homes

in the rehabilitation neighborhood, NHC recommends an increase to \$5,000.

(c) Where state or local governments allow tax abatement to encourage rehabilitation, there should be an annual Federal grant to reimburse them for the tax losses.

(d) Relocation assistance and payments should be available to anyone displaced as a result of a rehabilitation program.

(e) More realistic financing should be made available under FHA programs, particularly to serve those people of low and moderate incomes. This requires more practical and workable financing terms and allowances as follows:

(1) The formulas for determining mortgage amounts must recognize the actual cost of acquiring and rehabilitating properties that are structurally sound.

(2) There should be a contingency allowance built into the mortgage financing, which has been recently done by FHA. In rehabilitation, the contractor is often not aware of potential problems until he opens the walls and ascertains actual conditions.

(3) The FHA requirements for rehabilitation should not require a specified percentage of mortgage proceeds to be used for rehabilitation, so long as property is brought up to code standards.

(4) In projects where the property is owned or controlled by the proposed mortgagor, cost savings may be achieved by stripping down the building and tearing out the interior walls before making estimates or getting bids for the rehabilitation work. In such cases, FHA should recognize the cost of gutting the building since this increases the value of the property for rehabilitation because conditions are known and unforeseen contingencies are minimized.

(5) To reduce the monthly charges to the level which moderate-income families can afford, it is necessary to eliminate present requirements for short amortization periods on rehabilitation projects. Where the rehabilitation property is in a central city, there is likely to be an increment in land value from which to repay the loan, even though demolition occurs well in advance of the remaining estimated life of the improvements. Thus, the property may later become part of a model city neighborhood or urban redevelopment area. At present, the statute limits the mortgages to a maturity not exceeding three-quarters of the remaining economic life of the building improvements. This limitation should be repealed. FHA should be authorized to permit up to 40-year maturities where appropriate.

2. There should be Federal grants to a local agency designated by the city government for a total coordinated plan for rehabilitation of the neighborhood and for carrying out the rehabilitation program contemplated by the plan. The local agency should enlist the participation of cooperative and nonprofit organizations and local housing authorities. The local agency would also act on behalf of eligible homeowners and tenants in the area in obtaining:

(a) Rehabilitation grants, interest assistance or rent supplements for them;

(b) Below-market-interest-rate loans or market-interest-rate loans for their rehabilitation work; and

(c) Contracts to perform the rehabilitation work, subject to supervision by the local agency.

3. HUD should fully utilize the authorizations in the 1968 Housing Act providing for the acquisition of property for rehabilitation and its disposition, with appropriate write-downs which reflect the proposed use of the property. A similar program is necessary outside of urban renewal areas.

4. The authorizations in Sections 236 and 221(h) should be fully funded and utilized to facilitate and accelerate the rehabilitation program.

## CHAPTER O. HOUSING FOR THE ELDERLY

## I. Summary of existing legislation

1. *Authorization in 1968 and 1969 Housing Acts.* The 1968 Housing Act did not provide for any increase in the authorization in the 202 program of direct loans at 3% interest to provide housing for the elderly. Instead, the new 236 program of interest assistance was intended to make FHA-insured financing available for this program. Under 236 there is interest assistance to reduce monthly housing payments to the level achievable with an interest rate of 1% and without any FHA mortgage insurance premium. Under 236, projects can now be undertaken which will provide housing exclusively for the elderly. Such projects may include related facilities, such as dining, work, recreation and health facilities. The Act authorized refinancing of certain 202 projects in order to achieve the lower monthly charges resulting from refinancing with interest assistance. The 1969 Act contained a clear mandate from Congress that the 202 program should be continued instead of being eliminated. The 1969 Act increased the total amount authorized to be appropriated for the 202 program of direct loans for housing for the elderly or handicapped by \$150 million as of July 1, 1969.

2. *Amendments in Housing and Urban Development Act of 1970.* The 1970 Act amends section 15 of the United States Housing Act of 1937 by adding a new paragraph (12) which would direct the Secretary to encourage local public housing agencies to develop congregate housing for the displaced, elderly and handicapped. Congregate housing would be defined to mean projects with central dining facilities where some or all of the units do not have kitchen facilities. The dining facility would be required to be operated on a self-supporting basis; however, any expenditures, other than for food or services, could be considered a cost of the administration of the project. The section also provides that not more than 10 percent of the total amount of contracts for annual contributions entered into in any fiscal year pursuant to the new authority granted under the Housing and Urban Development Act of 1970 or under any law subsequently enacted shall be entered into with respect to units in congregate housing.

3. *Authorizations in Appropriation Acts.* The contract authority in appropriation acts for 236 will now be utilized to finance housing for the elderly. For a description of the 236 authorizations in appropriation acts, see Chapter J which covers that program. While the Administration requested no more funds under 202, the appropriation act for Fiscal Year 1971 contains \$10 million.

## II. Recommendations

1. *Additional Legislative Authorizations.*

(a) NHC urges that an average of 30,000 housing units for the elderly be provided each year for the next five years. This includes both the 202 and 236 programs.

(b) NHC recommends against phasing out the 202 program, because it has not been demonstrated that the 236 program will fully and adequately meet the housing needs of the elderly. We anticipate a continuing need for the 202 program to avoid creating another gap and area of unmet need due to the lower income limits in the 236 program and its other restrictions. The 1969 Act accepted this recommendation by making an additional authorization for direct loans under the 202 program, and Congress appropriated \$10 million for Fiscal Year 1971. We urge the Administration to spend this appropriation.

(c) NHC recommends that the authorizations under 202 and 236 should be available to acquire existing housing for the elderly, including projects developed with FHA insurance under Section 231.

2. *Other Legislative Amendments.* There is

a need for special programs to provide federal grants for the following purposes in housing for the elderly:

(a) to assist in training professional personnel to manage programs for the elderly; and

(b) to provide working capital and seed capital to states and localities and to nonprofit organizations such as church groups, labor unions, fraternal and cooperative-servicing organizations.

(c) NHC recommends adoption in the next Housing Act of a provision, that was passed by the House but not adopted by the Conference on the 1969 Housing Act, which requires (1) that projects for the elderly or handicapped be administered, to the maximum extent possible, under the same terms as the Section 202 program (2) that the requirement for computations of rents based on income will not apply to handicapped families, (3) that income verification for tenants in such projects shall be every five years and (4) that "Exception Income Limits" for the elderly or handicapped shall be \$5,500 for individuals and \$6,600 for couples, in lieu of 90% of 221(d)(3) BMIR limit otherwise applicable.

3. *Administrative Action.*

(a) The 202 and 236 cost limits should permit housing to be built within the cities where they are needed to serve the elderly. In view of high land costs, this should include high-rise buildings. The program should include rehabilitation as well as new construction. Tax abatement should not be required since it is often unavailable because of restrictions in state and local laws. Moreover, many cities are facing problems of inadequate tax revenues and are reluctant to grant tax abatements. Section 202 and 236 housing for the elderly should be permitted to pay full taxes, as is permitted in leasing privately-owned housing for public housing purposes and in the rent supplement program. Nursing facilities should be eligible for financing in housing for the elderly.

(b) In accordance with the statutory authority for loans equal to the total development costs, HUD should not require in the 202 or 236 programs that an approved sponsor make an investment to cover the cost of preliminary expenses, facilities, furnishings, equipment, and working capital. Such costs should be included in the loan. It should not be necessary for a nonprofit sponsor to make a monetary contribution. Its contribution consists of its devotion of time, ingenuity, and energy in initiating and developing projects—all without compensation and motivated by public service.

## CHAPTER P. FINANCING NURSING HOMES, FACILITIES FOR GROUP MEDICAL PRACTICE AND NON-PROFIT HOSPITALS

## I. Summary of Existing Legislation

1. *Objectives.* NHC again recognizes that a continuing desperate need exists for hundreds of thousands of nursing home beds, especially among the low-income elderly. This need has increased by demands generated through Medicare. Since local housing authorities have long experience in building low-rent housing for the elderly, they are well qualified to develop nursing homes for low-income persons. They should be authorized to coordinate programs of housing and nursing home facilities for the low-income group. This can be done effectively by amending the USH Act of 1937, to authorize annual contribution contracts with local housing authorities for nursing home facilities. In addition to these needs, many communities are facing serious shortages in full hospital facilities. Existing hospitals are unable to undertake needed expansion because of their inability to finance such costly additions.

2. *Authorizations in 1968 and 1969 Housing Acts.* The 1968 Housing Act amended Section 232 of the National Housing Act to permit the

cost of major items of equipment used in operating nursing homes to be included in the FHA-insured mortgage; also, to permit supplementary loans for the installation of such equipment in nursing homes previously constructed.

The 1968 Housing Act added Section 242 to the National Housing Act which establishes a FHA program under which the Secretary of HUD will insure mortgages covering new or rehabilitated hospitals (including initial equipment). To be eligible for such insurance, the mortgage cannot exceed \$25 million or 90 percent of replacement cost, and the hospital must be owned and operated by one or more nonprofit organizations. A certification is required from the State health agency that the hospital is needed and that State or local laws providing for minimum standards will be applied and enforced.<sup>9</sup>

The 1969 Act amended Section 232 of the National Housing Act to authorize insurance under that section of mortgages financing new or rehabilitated intermediate care facilities or combined nursing homes and intermediate care facilities. The purpose of this program is to assist in the provision of facilities for persons who, because of incapacitating infirmities, require minimum and continuous care of the type provided by licensed or trained personnel but who do not need full nursing home care.

Under the 1969 Act an intermediate care facilities project or a combined nursing home and intermediate care facilities project can be financed under the same terms and conditions as provided for a nursing home under the present authority. The mortgage is limited to a principal obligation not exceeding \$12,500,000 or 90% of the estimated value of the property or project including equipment. The Secretary must require certification by the State agency designated by the Public Health Service Act as to the need for such facilities and appropriate standards for their operation. The Secretary must also consult with the Department of Health, Education and Welfare as to the health and medical aspects of such facilities and as to the need and availability of such facilities in the area.

3. *Amendments in the Housing and Urban Development Act of 1970.*

(a) *Maximum Amount of FHA-Insured Hospital Mortgage.* The 1970 Act amends Section 242 of the National Housing Act to increase from \$25 million to \$50 million the maximum insurable mortgage amount covering a hospital.

(b) *Mortgage Insurance for Proprietary Hospitals.* The 1970 Act makes profit-making entities eligible to finance hospital construction or rehabilitation with FHA-insured mortgages. Under existing law, only nonprofit organizations are eligible to develop FHA-financed hospitals.

## II. Recommendations

1. NHC recommends that Section 202 and Section 236 be amended to permit the inclusion of nursing facilities in housing projects for the elderly. In this way, elderly persons who need nursing facilities would not have to leave the community in which they are living. In public housing for the elderly, nursing facilities should likewise be included.

2. NHC further recommends that financing be available to nonprofit sponsors under Sections 202 and 236 which will cover the full cost of construction of nursing homes; also, that such projects should get the benefit of below-market-interest rates or subsidies which would reduce the interest rate to 1%. As stated above, we recommend a statutory increase in subsidy to permit a reduction in this interest rate to 0% for those who need it.

3. The 1968 Act included a program of FHA

<sup>9</sup> Amended in 1970 Housing Act as described in Paragraphs 3(a) and (b) below.

insurance for facilities used for group medical practice. NHC reaffirms its support of this program and urges its use to encourage the development of nonprofit cooperatives whose members will obtain the benefits of bonafide group medical practice at a reasonable cost. The program should operate in both urban and rural areas. NHC continues to recommend that mortgage amortization be permitted to commence after completion of construction of group practice facilities rather than at the time the mortgage is executed.

4. NHC continues to support the basic concept of the prior Patman Bill, H.R. 10188, which would remove obstacles that impede the broader development of group health plans and which would make financing available for group health programs providing hospitalization, out-patient and preventive care.

#### CHAPTER Q. COLLEGE HOUSING

##### I. Summary of existing legislation

1. *Objective and Need.* Our Nation has increasingly recognized its dependence upon higher education for its security, welfare, and continued prosperity. To meet the demands made by the expanding number of students and by required increases in faculties, additional housing must be provided for students and faculty. Congress recognized the appropriateness of meeting these needs for college housing twenty years ago. In the Housing Act of 1950, it initiated low-interest loans for housing and educational facilities for students and faculties. Since 1961 there have been authorizations for loan increases at the rate of \$300 million each year. Such increases are wholly inadequate to meet current needs. The study conducted under the auspices of the American Council on Education has indicated that approximately \$1.5 billion per year of college housing will be needed for the next ten years. Recognizing that a portion of this amount may be derived from non-federal sources, the Council recommended that Congress authorize assistance which will provide a minimum of \$1 billion of college housing a year for the next ten years.

2. *Authorizations in the 1968 and 1969 Housing Acts.* Instead of expanding the direct loan program for college housing, the 1968 Act contemplated financing in the private market, but it authorizes financial assistance to colleges by means of annual debt service grants. This grant program is to be used to reduce the borrowers' annual debt service payments on private market loans to the average annual debt service that would have been required if the loan were based on the rate charged on loans under the direct loan program. Annual grants can be made over a fixed period up to 40 years. The total amount of annual grant contracts is subject to approval in appropriation acts. The total amount cannot exceed \$10 million, with this limit increased by \$10 million on July 1, 1969. The new grant program is made available for loans involving the purchase of existing properties which are in need of little or no rehabilitation.

The 1969 Act amends Section 401(f) (2) of the Housing Act of 1950 to increase, by \$4,200,000 on July 1, 1970, the aggregate amount of contracts which may be entered into to make annual debt service grants to help finance college housing facilities.

3. *Authorizations in Appropriation Acts.* There was an authorization of \$5.5 million of annual grant contracts for college housing instead of the \$10 million authorized in the 1968 Housing Act. For fiscal year 1970, \$6.5 million was appropriated. For fiscal year 1971, \$9.3 million of annual grant contracts was appropriated. This appropriation required an increase of \$2.6 million in the legislative authorization.

4. *Amendments in the Housing and Urban Development Act of 1970.*

*Authorization for College Housing Debt*

*Service Grants.* The 1970 Act amends Section 401(f) (2) of the Housing Act of 1950 to increase by \$12 million on July 1, 1971, the aggregate amount of contracts which may be entered into to make annual debt service grants to help finance college housing facilities.

##### II. Recommendations

*Increase in Legislative Authorizations.* NHC recommends a 5-year authorization of contracts for annual debt service grants which would be sufficient for \$1 billion of private financing annually for college housing.

##### CHAPTER R. COOPERATIVE HOUSING

1. In urban areas where multifamily housing predominates, cooperatives provide an important means of achieving homeownership. This produces better communities where the control and responsibility rests with the people who have a stake and pride in their own housing development.

2. NHC approves the use for cooperatives of the 221(d) (3) below-market-interest-rate (BMIR), 221(d) (3) market rate program, 235 and 236 interest assistance, the new Section 243 program providing interest assistance for middle-income families, and rent supplement programs. They will make it possible to reach lower income groups because of the economic savings and advantages of cooperatives. These are illustrated by the following savings:

(a) Lower closing costs with one closing—including one mortgage, one title policy, one insurance policy and one title transfer—on an entire project of many dwellings, rather than one for each dwelling.

(b) Lower transfer costs since it is unnecessary on a cooperative sale to incur the costs of title examinations and transfers, brokers' fees, refinancing and other charges.

(c) Lower construction costs which cooperatives have achieved through the economies of large-scale building when many housing units are presold before construction starts.

The cooperative program has been successful for low- and moderate-income families assisted under programs with below-market interest rates. NHC concurs in the Congressional mandates to encourage such cooperative ownership and in the pronouncements by HUD and FHA encouraging cooperative housing under Sections 213, 221(d) (3) and 236, such as the notice to FHA Insuring Office Directors and Assistant Regional Administrators which stated:

"In discussions with builders and lenders, the insuring office should encourage their participation in the above cooperative programs, not only because of the excellent experience which has been achieved from the FHA fiscal standpoint, but also because of the benefits both financial and sociological which flow to the users of this type of housing."

3. The need and demand for cooperative housing under Section 236 greatly exceeds the amount of funds available. In many HUD offices, cooperative housing represents a substantial part of the accumulated backlog of projects awaiting funds under the 236 program. This backlog of need should be met by the release of funds already available and increased authorizations recommended for the 236 program.

4. We recommend that FHA recognize the presently uncompensated costs to cooperative projects resulting from the requirement of recertifying incomes. The cooperative should be reimbursed by retaining the costs of recertifications from "over-income" surcharges that are ultimately returned to HUD. In addition, FHA should allow portions of the "over-income" surcharges to be used by the cooperative for improvements that FHA may consider advisable and justifiable during the life of the project.

5. Twelve years ago Congress established a

revolving fund of \$225 million—which is now administered by GNMA—for the purchase, at par, of cooperative mortgages insured by FHA under Section 213. While there have been extensive mortgage purchases from the cooperative revolving fund, much of the money has been returned, so it now has an uncommitted balance of about \$100 million. In 1968 the Administration impounded the fund and no further GNMA commitments can now be issued. NHC recommends that the balance in the cooperative revolving fund be made immediately available for the purchase of mortgages on cooperative projects. The 213 program fills an unmet need among those middle-income families and individuals who can only afford the lower monthly charges achievable through cooperative economies and financing. To lessen the budget impact and induce the Administration to utilize these GNMA funds for the purchase of Section 213 mortgages, we recommend that these funds be used under the Tandem Program. In this manner, the budget will reflect only the difference between GNMA's par purchase of the mortgage and the market price at which GNMA later sells the mortgage.

6. NHC applauds the HUD decision to release millions of dollars for dividends payments to over 400 Section 213 management-type housing cooperatives who are covered by a mutual insurance fund. NHC agrees with HUD's statement that the dividend distribution was "persuasive evidence of the success of these housing cooperatives during the years that the Section 213 program has been in effect."

7. (a) As recommended elsewhere in this report, NHC urges the disposition of public housing and Federally-owned housing to cooperatives whose members will reside in such housing and enjoy the benefits of mutual ownership.

(b) In the disposition of property by urban renewal agencies, there should be a recognition in the disposition plan that it is important to achieve cooperative ownership of multifamily housing in urban renewal areas. Accordingly, part of these areas should be considered for the development of housing to be so owned by the people. In making a disposition for this purpose, there should be a disposition condition that those who acquire the property agree to develop it for housing that will involve cooperative ownership.

(c) The FHA insurance program for supplemental loans should be revised, implemented and administered in a realistic manner which would achieve its objectives. Many cooperative and rental projects are faced by the necessity of making large expenditures to meet requirements of new laws enacted as part of anti-pollution and other health programs; moreover, many projects require rehabilitation and upgrading. Supplemental loans are also authorized to provide funds for necessary refinancing of membership resales which involve increases in equity. To facilitate administration of such supplementary loans to finance resales of cooperative memberships, such supplemental loans should be available not only to individual cooperatives but to a group or association of cooperatives or a nonprofit financing institution to serve cooperatives. Supplemental loans should be made for a period and at an interest rate to permit their amortization without an undue burden on the projects. GNMA should be authorized to use special assistance funds for the purchase of such supplemental loans at par. The supplemental loan provisions in 213(j) should be extended to include housing projects covered by mortgages insured under Sections 221(d) (3) or 236. NHC recommends amendatory legislation to implement the recommendations in this paragraph to the extent that they cannot be effectuated through administrative action.

(d) The Special Assistant for Cooperative Housing at FHA should be provided with

adequate staff and funds to undertake a broad program for the encouragement and development of cooperative housing, including necessary training of cooperative leaders and managers. The Special Assistant and his staff should have responsibility for both the assisted and unassisted cooperative housing in carrying out the functions prescribed in the laws establishing this position, which should be amended to cover cooperatives under all programs.

8. The Tax Reform Act of 1969 contains the following provisions of special interest to the operation of a cooperative housing project:

(a) Section 216(b) of the Code is amended to provide that, in determining whether a corporation is a cooperative housing corporation, no account is to be taken of stock owned and apartments leased by governmental entities empowered to acquire shares in a cooperative housing corporation for the purpose of providing housing facilities. The effect of the amendment is to allow individual tenant-stockholders to deduct their proportionate share of interest and taxes even though more than 20 percent of the cooperative's income is derived from a governmental entity. This amendment applies to taxable years beginning after December 31, 1969.

(b) Section 1039 is added to the Code to provide for deferral of gain upon the sale of a limited distribution project financed under Sections 221(d)(3) and 236 to a cooperative or other nonprofit corporation. This important incentive is more fully described in paragraph 4 of Chapter CC.

9. NHC recommends that the Rent Supplement Program be extended to cover the Section 213 Program. In central city apartments which are converted to cooperative ownership, this would enable them to serve inner city residents who need Rent Supplements to afford the monthly charges.

10. Since there is substantial interest on college campuses in the use of cooperative housing programs to serve college students, NHC recommends amendments in appropriate housing programs to enable the use of cooperatives for the housing of college students.

11. NHC applauds the U.N. General Assembly vote to encourage a program of social housing that includes cooperatives.

12. The law provides for conversion of existing rental projects financed under Section 221(d)(3) and 236 to cooperative ownership under those same sections. However, there have been no conversions because HUD is reserving subsidy money exclusively for new construction. NHC urges that HUD re-examine this position and make monies available for this conversion program. As explained in Chapter CC, there is a tax program allowing for deferral of gain on rental projects converted to cooperatives if that gain is invested in the development of a new Section 221(d)(3) or 236 project. This program has yet to become operational because of the failure to release authorized funds.

#### CHAPTER S. NONPROFIT HOUSING SPONSORS

1. Besides the cooperative non-profit projects discussed in the preceding chapter, the non-profit sponsors described in this chapter are expected to have an increasing role in meeting the housing needs of low and moderate income groups with the assistance recommended below.

2. NHC believes that there is an urgent need for nonprofit housing sponsors for low and moderate income housing assistance programs. Nonprofit housing sponsors may be either: (a) broadly-based housing development corporations which aid a number of housing projects in the community; or (b) individual project sponsors, such as churches, charitable foundations, settlement houses, labor unions, fraternal organizations and other civic-minded groups.

3. NHC approves the use of Sections 221(d)(3), 235(j), and rent supplement programs in nonprofit sponsored projects. This sponsorship makes it possible to reach lower income groups because of the absence of profit in the operation of such projects.

4. NHC is pleased that its recommendation was accepted for the use of the Tandem Plan for nonprofit sponsored housing. Without the Tandem Plan, it would be virtually impossible for nonprofit sponsored projects to go forward when mortgages are not selling at par. In addition, NHC supports the special yield-related price FNMA makes available for nonprofit sponsored projects. FNMA has recently reduced its preferential price from 4 points to 2%. NHC urges the restoration of the 4 point preferential price for nonprofit sponsors.

5. NHC fully concurs in the report of the Senate Housing Subcommittee that nonprofit housing sponsors have contributed greatly to our housing production. The Committee Report stated:

"Among these institutions, the not-for-profit organizations involved in housing development have made substantial progress in the construction of low and moderate income housing in a relatively brief period of time. Today they account for a large portion of the housing development activity carried out under the several assistance programs authorized by the Congress. This is fulfilling the intention of the Congress and we are desirous to see not-for-profit sponsors and developers play an increasing role in meeting the nation's critical housing shortage especially for low and moderate income families and individuals."

6. NHC recommends that HUD provide the following financial and technical assistance to nonprofit sponsors and organizations.

(a) Seed money loans to cover initial costs, such as preliminary architectural fees, engineering fees, site options, tenant surveys, market analyses, and legal and organizational expenses during the project development stage. These would be recoverable from the proceeds of the FHA-insured mortgage.

(b) Grants for administrative costs, social services and other necessary expenses which are important to the success of projects for low and moderate income families and persons.

(c) Technical assistance for expert aid needed to train personnel, develop projects, secure project approval and oversee construction.

(d) Assistance to nonprofit housing sponsors in the conduct of self-help and mutual self-help programs.

7. The 1970 Act authorizes \$5 million without fiscal year limitations for use by the Secretary in providing a more adequate level of technical assistance. NHC recommends the funding of this section to help provide technical assistance needed by non-profit organizations.

8. The 1970 Housing Act provides for a Special Assistant to the Secretary who will be responsible for providing information and advice to nonprofit organizations desiring to sponsor housing projects assisted under programs administered by HUD. NHC urges that the new Special Assistant be named and given adequate staff and funds to undertake a broad program for the encouragement and development of nonprofit sponsored housing.

#### CHAPTER T. NATIONAL HOMEOWNERSHIP FOUNDATION; NATIONAL ADVISORY COMMISSION ON LOW-INCOME HOUSING; NATIONAL HOUSING PARTNERSHIPS; AND ASSISTANCE TO NON-PROFIT SPONSORS IN LOW AND MODERATE INCOME HOUSING

I. *Summary of Existing Legislation: 1. Objectives.* The 1968 Housing Act created the National Homeownership Foundation to carry out a continuing program of encouraging private and public organizations to provide increased homeownership and housing

opportunities in urban and rural areas for lower income families.

2. *Authorizations in 1968 Housing Act.* The Act authorized the Foundation to make grants and loans (not otherwise available from Federal sources) to such organizations to help defray organizational and administrative expenses, necessary preconstruction costs, and the cost of counseling or similar services to lower income families for whom housing is being provided. The Foundation can also provide technical assistance to the organizations. The Foundation can also provide technical assistance to the organizations. The Foundation is to be administered by an 18-member Board of Directors. Fifteen members are to be appointed by the President. The Secretary of HUD, the Secretary of Agriculture and the Director of OEO are the other three members. The board will appoint an executive director as its executive officer.

3. *Authorizations in Appropriation Acts.* Appropriations up to \$10 million are authorized. The Foundation can also use donated funds. Nothing has been appropriated for fiscal year 1970. The Administration requested \$250,000 for fiscal year 1971 but nothing was included in the appropriation act.

II. *Recommendations.* NHC urges that the Foundation be fully funded so that the Foundation can begin its vital assignment.

#### National Advisory Commission on Low-Income Housing

1. *Objectives.* The 1968 Housing Act established a National Advisory Commission on Low-Income Housing to undertake a comprehensive study and investigate the resources and capabilities in the public and private sectors of the economy which may be used to fulfill more completely the objectives of the national goal of "a decent home and a suitable living environment for every American family".

2. *Assignment.* The Act directs the Commission to submit to the President and the Congress an interim report with respect to its findings and recommendations not later than July 1, 1969, and a final report not later than July 1, 1970. Neither report has been filed.

#### National Housing Partnerships

I. *Summary of Existing Legislation: 1. Objectives.* The 1968 Housing Act created a national housing partnership for the purpose of securing the participation of private investors in programs and projects to provide housing for low and moderate income families. The Act provides for a federally chartered, privately funded corporation under the District of Columbia Business Corporation Act; also, for a National Partnership organized by the corporation under the D.C. Uniform Limited Partnership Act. The Corporation will serve as the general partner and managing agent of the National Partnership and each of its stockholders can be a limited partner. It will provide the staff and expertise for the Partnership in organizing and planning project undertakings in which the Partnership has an interest, and receive a fee for such services.

2. *Authority.* Both the Corporation and the National Partnership are authorized to engage in a broad range of activities appropriate to the provision of housing and related facilities primarily for low or moderate income families, with or without the use of Federal programs, and may enter into and participate in all forms of partnerships and associations. The National Partnership will form partnership ventures with local investors for the purpose of building low and moderate income housing projects throughout the nation. Normally, it will be a limited partner in such undertakings, with an interest of not more than 25% of the aggregate initial equity investment in the project. The President has appointed the in-

corporators of the Corporation. The incorporators serve as the initial board of directors and have arranged for the initial offering of shares of stock in the Corporation and interests in the National Partnership. The President is authorized to create additional partnerships when he determines it to be in the national interest. National banks are authorized to invest in a corporation and other entities formed under this title. The NHP was successful in the sale of its stock and began full operation in 1970.

**II. Recommendations:** NHC recommends that the following actions be taken:

1. To encourage widespread participation and private investment in the National Housing Partnerships, tax incentives must be provided for undertaking housing developments to serve low and moderate income persons. In Chapter CC, we describe the favorable action taken in the Tax Reform Act of 1969 to provide such incentives.

2. To enable the sale of projects undertaken by the National Housing Partnership to cooperatives or other nonprofit corporations, there should be an implementation of the provisions of Section 236(j)(3) of the National Housing Act as described under the separate 236 heading. An important tax incentive providing for deferral of gain upon a 236(j)(3) sale to a cooperative or other nonprofit corporation was added by the Tax Reform Act of 1969. It is more fully discussed in Chapter CC.

*Assistance to nonprofit sponsors of low and moderate income housing*

**I. Summary of Existing Legislation:** 1. *Objectives.* The 1968 Housing Act has provisions to assist nonprofit sponsors of low and moderate income housing.

2. *Authorization in the 1968 and 1969 Housing Acts:*

(a) The Secretary of HUD is authorized to provide technical assistance, with respect to the construction, rehabilitation, and operation of low and moderate income housing, to nonprofit organizations.

(b) The Secretary can also make 80-percent, interest-free loans to nonprofit sponsors of such housing to cover certain preconstruction costs under Federally-assisted programs.

(c) The Low and Moderate Income Sponsor Fund is established for the purpose of making the loans with an authorization of appropriations of \$7.5 million for fiscal year 1969 and \$10 million for fiscal year 1970. The Fund will be a revolving fund and repayments of loans will be deposited in the Fund.

3. *Authorization in Appropriation Acts.* \$500,000 was appropriated in the Supplemental Appropriations for fiscal 1969, \$2 million was appropriated for fiscal 1970, and \$3 million is included in the appropriation act for fiscal 1971.

4. *Amendments in the Housing and Urban Development Act of 1970:*

(a) *Advice and Assistance with Respect to Housing for Low and Moderate Income Families:* The 1970 Act amends Section 106(a) of the Housing and Urban Development Act of 1968 to authorize technical assistance and advice with respect to individual tenants and homeowners assisted under HUD programs in addition to nonprofit sponsors of multifamily housing. The section also repeals the grant program for tenant services in public housing projects and authorizes such services to be financed out of project income and annual contribution payments.

(b) *Information and Advice to Nonprofit Project Sponsors:* The 1970 Act creates in the Department of Housing and Urban Development a new position of Assistant to the Secretary, responsible for assisting nonprofit organizations in complying with HUD requirements in applying for sponsorship of housing projects under the subsidized multifamily programs administered by the Department.

NHC urges that the full authorizations be appropriated and utilized for this program as more fully discussed in Chapter S.

**CHAPTER U. RURAL HOUSING, RENEWAL, AND PLANNING FOR MULTICOUNTY AREAS**

**I. Summary of Existing Legislation:** 1. *Objectives.* There is increasing national concern to make rural America more attractive and livable for all. To achieve this goal, programs must be initiated to encourage the young and better educated to continue living in rural America. Programs which provide the same kinds of financial assistance as are provided for urban housing and renewal should be available to rural areas for rural housing and renewal. We endorse those provisions of the 1968 Housing Act which make certain housing assistance equally available to rural areas, but other legislation is required as described below.

2. *Authorizations in the 1968 and 1969 Housing Acts:*

(a) Under Sections 235 and 236, the Secretary was authorized to transfer to the Secretary of Agriculture a reasonable portion of the total authority to contract to make periodic interest reduction payments for use in rural areas and small towns. By agreement, the Secretary of Agriculture was delegated \$2 million in contract authority under Section 235(k). However, projects under Section 236 will be processed by FHA.

(b) The 1969 Act extends for a 4-year period ending October 1, 1973, the various rural housing authorizations which were scheduled to expire on October 1, 1969.

(c) The 1969 Act amended Section 517(c) of the Housing Act of 1949 as follows:

(1) To remove the present \$100 million limitation on the amount of new loan paper which may be held in the Rural Housing Insurance Fund at any one time;

(2) To authorize the Secretary of Agriculture to sell insured housing loans out of the Rural Housing Insurance Fund in blocks and to treat such transactions as a sale of assets for budgetary purposes; and

(3) To make clear that the Secretary of Agriculture may make commitments to make or insure rural housing loans on one or more properties upon application by the lender, builder, or seller and upon compliance with such requirements as he may specify.

(d) The 1969 Act amended Section 517 of the 1949 Act (with conforming amendments to Sections 518 and 519 of that Act) to abolish the existing Rural Housing Direct Loan Account and transfer all of its assets, liabilities, and authorizations to the Rural Housing Insurance Fund. It is the purpose of these amendments simply to consolidate the direct loan programs of the Farmers Home Administration in a single Fund, without changing the nature or coverage of those programs; all of the funds, claims, notes, mortgages, contracts, property, collections, proceeds, and unexpended balances which were held in or applicable to the Account will as a result of the transfer be held in or applicable to the Fund, and any authorizations for the appropriation of funds, the availability of funds for direct loans and related advances, or the issuance of notes which were applicable to the Account will become applicable to the Fund.

(e) The 1969 Act adds a new Section 524 to the 1949 Act to authorize financial assistance to nonprofit organizations to provide sites for rural housing for low and moderate income families.

3. *Amendments in the Housing and Urban Development Act of 1970:*

(a) Sections 514 and 516 of the Housing Act of 1949 were amended to broaden the farm labor housing program by:

(1) Authorizing financial assistance to nonprofit organizations of farmworkers for the construction of farm labor housing;

(2) Authorizing financial assistance to

broad based public or nonprofit organizations for the construction of farm labor housing any place within the State where the need exists.

(3) Lowering the interest rate on farm labor housing loans from 5 to 1 percent.

(4) Authorizing the financing of household furnishings in farm labor housing units.

(5) Raising the maximum grant from two-thirds to 90 percent of the development cost of a project.

(6) Requiring the construction of farm labor housing suitable for year-round use except where the Secretary finds that year-round housing is not needed.

(b) Sections 502 and 504 of the Housing Act of 1949 were amended to permit loans to people who lease a home site.

(c) Section 504 was amended by raising the ceiling on loans and grants from home repair from \$1,500 to \$2,500 and to \$3,500 if necessary to provide water and sanitation facilities.

(d) The Secretary of Agriculture was given discretionary authority in the use of Farmers Home Administration county committees in the determination of the eligibility of loan applicants.

(e) Section 515(b)(1) was amended to raise the ceiling on loans for the construction of rental housing projects from \$300,000 to \$750,000.

(f) Section 520 of the Housing Act of 1949 was amended to raise the size of communities Farmers Home Administration can serve from 5,500 to 10,000.

(g) Both the Senate and House Committee Reports strongly recommended that 1968 report language be rescinded thus making it clear that both urban and rural residents should be eligible for Title V housing regardless of whether they work in a rural area.

4. *Authorizations in Appropriation Acts.* Elsewhere we have described the authorizations of interest assistance contracts under Sections 235 and 236 which are now available for housing in rural areas. In addition, the rural housing program of the Department of Agriculture was authorized to maintain a \$5 million program of 3%, 50-year loans.

**II. Recommendations:** 1. *Additional Authorizations in Appropriation Acts:*

(a) NHC recommends that the housing repair grant provisions of Section 504(a) be funded at a level of \$25 million for fiscal 1972. Since 1964 there have been no grant funds available for housing repair.

(b) NHC recommends that the housing loan provisions of Section 504(a) be funded at a level of \$25 million for fiscal 1972.

(c) NHC recommends that the farm labor housing grant provisions of Section 516(b) be funded at a level of \$25 million for fiscal 1972.

(d) NHC recommends that the self-help housing technical assistance grants authorized by Section 523(b)(1)(A) be funded at the full limit of \$5 million for fiscal 1972.

(e) NHC recommends that the self-help loan funds authorized by Section 523(b)(1)(B) be funded at the full limit of \$1 million for fiscal 1972.

(f) NHC recommends that \$115 million, the full amount authorized by law, be appropriated for development and planning grants, for rural water and sewer systems for fiscal 1972.

(g) NHC recommends that \$150 million be appropriated for FMHA administrative expenses in fiscal 1972 to enable the agency to handle the vastly increased workload particularly in housing and in community affairs.

2. *Legislative Amendments Relating to Rural Housing.* NHC recommends the following legislation relating to rural housing programs:

(a) The 3%, 50 year loan program to supplement the new authority granted under the 1968 Housing Act should not only be

continued but increased. The Secretary of Agriculture should be authorized to contract to maintain the interest rate throughout the duration of the loan. Also the Secretary should be granted the power to reduce the interest rate to as low as 1% under this program.

(b) Enact legislation creating the position of Special Assistant for Cooperative Housing in the Farmers Home Administration (FmHA) of the Department of Agriculture (a similar position to that created in the Housing Amendments of 1955 for urban cooperative housing) with similar powers, duties and adequate staff and budget; and the additional responsibility of mobilizing the support of rural area cooperatives of all types for the creation and continued successful operation of rural cooperative housing projects.

(c) Give the Secretary of HUD authority to waive rules and regulations of HUD programs so small cities and towns can get an equitable share of HUD programs.

(d) NHC recommends that the population ceiling on FmHA loans be raised from towns of 10,000 to maximum 25,000 population, with commensurate adjustments in administrative funds.

(e) NHC recommends that the Rent Supplement Program be extended to programs which are financed directly by FmHA. Section 235 and 236 programs are now eligible under FmHA and the Rent Supplement program should also be available to FmHA.

(f) The authority given to the Secretary of Agriculture to use county committees as a means of determining the eligibility of applicants for FmHA housing loans should be completely rescinded.

(g) The authorization for annual appropriations for development and planning grants for rural water and sewer systems should be raised from \$115 million to \$230 million.

(h) A legislative goal of at least 500,000 housing units per year for FmHA financing should be established. This is the level which will be needed to achieve the rural part of NHC's national housing goal which calls for 10,000,000 federally assisted housing units to be constructed or rehabilitated in ten years. More than half of the need is in rural areas.

(i) FmHA should be provided with funds for research geared to solve problems which often hamper or restrict housing developments in rural areas. An example is lack of waste disposal facilities. Research needs to be undertaken to develop a waste disposal system which could serve an individual home or a number of homes at a modest initial investment and low maintenance.

(j) Congress should establish a \$6 billion level for FmHA insured housing loans in fiscal 1972. This would permit FmHA to finance at a level of about 500,000 housing units a year. Because these funds are raised through the sale of notes on the private market, the funding does not require appropriations from the Treasury. Therefore there is little impact on the Federal budget.

(k) NHC recommends that the FmHA staff be expanded to enable the agency to actively promote rental housing to aid in meeting rural needs.

(l) NHC recommends the amendment of the FmHA Act to enable the agency to promote and finance nonprofit housing development corporations as housing delivery systems to small towns and rural people.

(m) NHC recommends that legislation be enacted to assure that the American Indian—on and off reservations—is given the opportunity and choice to participate in all Federal housing programs.

(n) NHC recommends the establishment of a Rural Development Bank as provided in H.R. 15402 introduced by Congressman Patman.

(o) NHC recommends that the FmHA legislation be amended to authorize loans requiring principal and interest payments on as little as 50 percent of the principal, with the remainder covered by a second trust which would not bear interest or fall due for repayment until the first mortgage was paid off or the property changed hands.

(p) NHC recommends the creation of a Department of Rural Affairs, which would include those housing and community development functions currently administered by the Department of Agriculture, and which would receive its appropriations through new subcommittees of the House and Senate Appropriations Committees. In the absence of such an executive reorganization, NHC recommends that all appropriations for housing and community facilities programs be made through the same Appropriations subcommittees, whether the programs are administered by HUD or USDA.

(q) NHC recommends enactment of any necessary legislation to authorize and direct FmHA to establish escrow accounts on behalf of its housing borrowers for the payment of taxes and insurance.

(r) NHC recommends enactment of any necessary legislation to replace the present bonding requirements of FmHA County Offices with a fidelity bonding arrangement which would protect the government against fraud without making County Office staffs financially liable for non-fraudulent administrative errors.

(s) NHC recommends legislation authorizing FmHA to take all actions necessary to permit the use and compensation of housing consultants and specialists in preparing processing or otherwise assisting in the undertaking of housing financed or aided by FmHA.

### 3. Recommendations for Administrative Actions:

(a) Besides Congressional actions, there is a need for more effective executive actions and better coordination of Agriculture and HUD, and for consultation with industry and public interest groups. Such actions should be taken to assure that federal housing, community facility and planning aids for rural areas are equivalent to those available in cities and metropolitan areas.

(b) NHC recommends and urges the Secretary of Agriculture to stimulate and encourage programs under new and existing cooperative housing provisions to alleviate the housing ills in rural areas.

(c) NHC urges the Federal Housing Administration and the Farmers Home Administration (FmHA) to work out a plan for making housing credit available in small towns that are too large for FmHA to service (over 10,000), but not practical for FHA to service because of remoteness or other reasons. A serious credit shortage exists in many of these areas.

(d) NHC urges standardization of FmHA regulations and procedures which presently often vary from county to county and from state to state, making it difficult and sometimes impossible for outside groups to work effectively with FmHA. In this respect, the staff of the National FmHA should be expanded. Also, in many areas where the demand for housing is substantial, FmHA should assign housing specialists. Presently, county supervisors are responsible not only for housing but for many other FmHA programs as well. If FmHA is to achieve the potential which its housing program possesses, it must develop new administrative techniques to handle the greatly increased volume of housing applications.

(e) FmHA should reorganize its staff and further streamline its activities to speed up the making and servicing of loans.

(f) FmHA should increase its administrative limit of \$100,000 for rural housing site loans to \$500,000. The present limit, in view

of escalating land costs and costs of developing rural land, is too low. As a result, the tremendous potential of this valuable new authority which FmHA received in the 1969 housing legislation is severely restricted.

(g) FmHA should strengthen its advance commitments to builders so as to encourage larger scale builders to operate in rural areas. This is essential to producing the volume of housing required to solve the critical shortage in rural communities. FmHA's administrative regulations prevent advance commitments from having the impact which Congress intended.

### CHAPTER V. INTERIM ASSISTANCE AND INTERIM REHABILITATION PROGRAMS IN SLUM AND BLIGHTED AREAS

*I. Summary of Existing Legislation:* 1. *Interim Assistance for Blighted Areas as Provided for in the 1968 Housing Act.* The 1968 Housing Act authorizes the Secretary of HUD to contract to make grants aggregating up to \$15 million in any fiscal year to cities or counties to assist them in taking interim steps to alleviate harmful conditions in slum or blighted areas or communities. To qualify, these areas must be planned for substantial clearance, rehabilitation, or federally-assisted code enforcement in the near future, and must need some immediate public action until permanent action can be taken. Grants may not exceed two-thirds of the cost of planning and carrying out an interim assistance program, except that three-fourths grants can be made to any community with a population of 50,000 or less. A community has to have an approved workable program to qualify for assistance.

2. *Need for Interim Rehabilitation Program.* In slum and blighted areas, there should be a program of rapid interim rehabilitation to correct those housing conditions which directly affect health and safety. The people now living in substandard housing should not be expected to wait until permanent neighborhood improvement programs are developed. We need a program which will provide grants and loans which can be rapidly disbursed to eliminate health and safety hazards, without regard to the useful life of the buildings. The objective is to provide whatever assistance is needed to achieve monthly charges, after interim rehabilitation, which will be within the financial reach of the low income and moderate income residents. The emergency upgrading of structures should not involve increases in rents beyond the reach of the present tenants.

3. *Funds for Interim Assistance.* There have been no appropriation authorizations to implement the 1968 Act providing interim assistance to alleviate harmful conditions in slum or blighted areas. However, \$15 million of urban renewal funds have been allocated for this purpose.

*II. Recommendations:* 1. *Authorizations in Appropriation Acts.* NHC recommends expansion of the program through appropriate authorizations and additional urban renewal allocations for the interim assistance program in slum areas. This should include an advance appropriation and allocation for the next additional fiscal year to give cities and counties more lead time in planning interim steps to alleviate harmful conditions in slum or blighted areas. NHC further recommends that the amount of the appropriations—and legislative authorizations therefor—should be increased in response to the increasing needs evidenced by the appropriation requests which will be filed for interim assistance.

2. *Legislative Amendments on Interim Assistance.* All cities should be eligible for a three-quarters grant for the cost of planning and carrying out the interim program. Instead of limiting the larger grants to the smaller cities, the large cities should get such a grant and not be limited to a two-thirds grant.

3. *Legislation for Interim Rehabilitation Program.* NHC recommends legislation to provide for the above described program of interim rehabilitation to correct housing conditions which directly affect health and safety, without regard to the useful life of the buildings. The legislation should include the following:

(a) Amendments to broaden the interim assistance law to include such interim rehabilitation of housing as is necessary to protect the health and safety of residents. This would make grants available to cities and counties which are undertaking such a program.

(b) With respect to interim rehabilitation to correct conditions which directly affect health and safety in homes located in slum and blighted areas, the following financial assistance should be extended to owners of homes who have low and moderate incomes: (1) rehabilitation grants under Section 115 in an amount not to exceed \$3,500; and (2) rehabilitation loans under Section 312.

(c) Federal code enforcement grants for interim rehabilitation of housing.

(d) Federal grants to urban renewal agencies to acquire slum buildings which are in violation of housing codes, and for interim rehabilitation to eliminate hazards. Public acquisition of properties for interim rehabilitation may be an early acquisition of part of the property that would later be involved in a permanent renewal program for the neighborhood.

(e) Section 312 should be further amended to provide loans to public bodies or agencies which take possession or control of any property—through receivership or otherwise—which violates code requirements or local laws concerning health or safety. This would cover property where the owner has failed to correct such violations within a period prescribed by local law. The loan should be made on the condition that it will be repaid from the income derived from the rehabilitated property, with appropriate liens or other rights that will be enforceable against the property.

Pursuant to the foregoing legislation, the assistance should be sufficient to achieve monthly charges, after interim rehabilitation, which will be within the financial reach of the present occupants or of others of low or moderate incomes.

#### CHAPTER W. NEW TOWNS AND NEW COMMUNITIES

I. *Summary of Existing Legislation: 1. Need.* Since 40,000,000 additional people will be living in cities during the next decade, we need new towns and new communities to help take care of this increased urban population, to provide for an orderly dispersal of population and relieve further city congestion. These new towns would be carefully planned as balanced communities. They would be largely self-contained with homes, apartments, schools, jobs, hospitals, recreational facilities and open spaces. They should be planned to minimize transportation needs by assuring employment for residents within or near the community. They should provide housing for all income groups, including those of low and moderate incomes. These new communities can provide a new kind of urban living which can offer an alternative to the sprawling growth that threatens to overwhelm our metropolitan regions with costly and inefficient development.

There is an urgent need for Federal guarantees to overcome major obstacles which have prevented greater efforts in this field, namely: (1) the large capital investments to acquire large land areas and install the basic facilities needed to prepare the land for development; and (2) the extended period for the planning and installation of site improvements, during which large expenditures must be made for debt service, taxes and overhead.

2. *Authorizations in 1968 and 1969 Housing Acts.* The 1968 Act authorized HUD to guarantee obligations issued by new community developers to help finance approved new community developments. These guarantees were intended to overcome the major obstacles which have prevented greater accomplishments in this field. With the security of Federal guarantees, investors have been willing to provide financing geared to the realities of internal cash flow in new community development projects. To encourage localities to use Federal aid programs in support of new communities, the Act includes a program of incentive grants. When Federally-assisted facilities are being constructed to serve a new community, the public agency will be eligible—in addition to the basic Federal grants—for a supplementary grant covering an additional 20% of construction costs. However, the total federal contribution to the cost of community facilities cannot exceed 80% of the cost of the facility. This would include facilities such as water, sewer and the open-space land. Appropriations for supplemental grants were authorized in the amount of \$5 million for fiscal year 1969 and \$25 million for fiscal year 1970.

The 1969 Act amended Section 412(d) of the 1968 Act to authorize appropriations for new community assistance grants through the fiscal year 1971.

3. *Authorizations in Appropriation Acts.* For fiscal year 1970, \$2,500,000 has been appropriated for supplemental grants to public agencies which install federally-assisted facilities to serve new communities. \$5 million is included in the appropriation act for fiscal year 1971.

4. *Amendments in Housing and Urban Development Act of 1970.*

Title VII of the 1970 Housing Act—called the Urban Growth and New Community Development Act of 1970—created broad new urban growth concepts and programs. A review of the legislation follows:

*New Community Development (Title VII)*—Provides a package of Federal financial aids to new community developers, both private and public, to assist in the provision of newly built communities and major additions to existing communities, including:

(a) Guarantees of the bonds or other obligations of new community developers issued to finance land acquisition, land development, and construction of public and utility facilities; the outstanding amount that can be guaranteed with respect to all new community developments cannot exceed \$500 million and with respect to each development, \$50 million; the amount guaranteed cannot exceed the sum of 80 percent of the value of the property before development and 90 percent of the actual cost of the development, except that for public developers the guaranteed amount could be 100 percent of the above cost items.

(b) Loans to pay interest on bonds of new community developers, repayable on deferred basis as long as 15 years; loans to bear interest at similar rate to outstanding U.S. obligations of comparable maturities; the outstanding amount of loans cannot exceed \$240 million for all developments and \$20 million for one development.

(c) Special planning assistance grants to new community developers to pay up to two-thirds the cost of various planning for new community development; \$10 million authorized over two years.

(d) Supplementary grants to states or localities for facilities to increase the Federal share under numerous public facility grant programs by up to 20 percent of the cost of such facilities, provided the total Federal share does not exceed 80 percent; \$168 million authorized over 3 years.

(e) Public service grants to help defray the initial costs of essential public services (including schools) with respect to new communities; open-end authorization.

(f) Comprehensive planning grants to public bodies or organizations or public officials to finance planning for urban growth and the provision of new communities.

(g) Open space grants, up to 75 percent, to public bodies to finance acquisition of undeveloped land which can be used in connection with the growth of new communities including the expansion or revitalization of existing communities.

Other parts of this title would authorize new community demonstration projects by the Federal government on Federal land; require urban growth reports from the President through an identified unit of the Domestic Council every two years; and authorize urban renewal grants to finance the acquisition of vacant or inappropriately used land or space which could be developed for housing and related uses, the development of new communities in town, or other undertakings related to inner city needs.

#### *New community land development*

The 1970 Act amends title IV of the Housing and Urban Development Act of 1968 to authorize an increase in the Guarantee Fund for New Communities Land Development from \$250 million to \$500 million; extend the availability period of unexpended funds to July 1, 1974; and clarifies the conditions under which guaranty payments are to be made to bond holders.

II. *Recommendations: 1. Appropriations:*  
(a) We recommend the full appropriation of \$36,000,000 authorized for supplemental grants for fiscal year 1971 under the Urban Growth and New Community Development Act of 1970; also, an advance appropriation for fiscal year 1972 of \$66,000,000 for supplemental grants in order to give more lead time for initiating and planning new communities.

(b) We further recommend the full appropriation of \$5,000,000 authorized for financial assistance to private new community developers and state and local public land development agencies for their planning of new community development programs; also, an advance appropriation of the additional \$5,000,000 authorized for this purpose on July 1, 1971.

2. *Increase in Legislation Authorizations.* We recommend that the aggregate limit on outstanding guaranties be increased by \$1 billion above the present limit of \$500 million. We further recommend an additional authorization of appropriations for supplemental grants of \$100 million a year for 2 additional years so there will be authorizations for a 5-year period. There should be additional authorizations which are earmarked for new communities to assure the availability to public agencies serving such communities of adequate grants for all of the following: sewers; water, water conservation and water pollution control; public health services; education, community facilities; open-space land program; mass transit; airports; public works and economic development; or other types of new community assisted projects authorized by law.

3. *Other legislative Amendments.* The Bureau of Public Roads should be authorized to purchase excess land beyond the amount needed for the roads themselves. This would include land suitable for residential development which the Bureau should make available to rehouse displaced families. At large road interchanges, the Bureau should be authorized to acquire additional land for the development of new communities which can meet the needs of our growing population, including displaced families. Such land can generally be acquired by the Bureau at low cost at the time that land is being acquired for new road systems.

4. *Recommendations for Administrative Action:*

(a) In view of the critical need for this program to help take care of population in-

creases, relieve city congestion and provide building sites, NHC urges HUD (1) to utilize and effectuate fully the Urban Growth and New Community Development Act of 1970 and (2) to act promptly on guaranties required by developers to enable them to get financing for these new communities which are urgently needed.

(b) A priority should be established for sewer, water, mass transit, public health, education and other grants to public agencies for all new community assisted projects authorized by law.

#### CHAPTER X. ADEQUATE SITES FOR EXPANDED HOUSING PROGRAM

1. *Summary of Existing Legislation:* 1. *Objectives.* One of the most serious impediments to achieving our housing goals is the lack of adequate building sites at reasonable prices. It will be impossible to provide the necessary additional supply of housing unless suitable improved sites are available, which include all of the public services and facilities necessary for a suitable living environment. There is a special and critical problem relating to the availability of improved land for low and moderate income housing; such housing is least able to compete for land because it cannot pay as high a price. In addition, restrictive zoning and other practices have precluded many suitable building sites from being utilized to house these income groups. To meet these problems and facilitate achievement of the necessary expansion of total housing production on a well-planned basis, the National Housing Conference recommends the legislative and administrative measures described below.

#### 2. *Authorizations in Existing Legislation.*

The following is a summary of some of the major provisions in existing legislation which can effectively be utilized to make improved land available for expanded housing production, particularly for those of low and moderate incomes:

(a) The urban renewal legislation authorizes the acquisition of land and its disposition, with appropriate write-downs based on the planned use of the land. The legislation recognizes the special needs for rehousing families who are displaced and those of low and moderate incomes. The urban renewal laws are important tools which can be used to help provide an adequate supply of improved building sites at reasonable prices for housing, with emphasis on meeting the needs of persons of low and moderate incomes. (See paragraph 4(g) of Chapter S for an explanation of the provision in the 1969 Housing Act requiring a "one for one" replacement of housing demolished within the jurisdiction of the Urban Renewal Agency.)

(b) The 1968 and 1970 Housing Acts authorize programs for new communities and urban growth—as described in the preceding chapter—which should produce improved building sites for homes and apartments in carefully planned communities, including all necessary public and community facilities. The law requires that low and moderate income housing be included in these new towns as a prerequisite for supplemental grants to public agencies in providing water, sewer and other public facilities and services.

(c) Under existing law, federal grants are available to public agencies for water and sewer facilities, neighborhood facilities, open space and programs for advance acquisitions of land as described below. When adequately funded—as recommended elsewhere in this report—this legislation should enable public agencies to provide the water, sewer and other public facilities required for the improvement of land, so that it will become suitable and available for residential construction.

3. *Amendments in Housing and Urban Development Act of 1969.* Sale of Land for Housing.

It permits real property which is surplus within the meaning of the Federal Property and Administrative Services Act to be transferred to the Secretary of Housing and Urban Development at his request for sale or lease by him at its fair value for use in the provision of rental or cooperative housing to be occupied by families or individuals of low or moderate income. Surplus real property can be sold on such terms by the Secretary if it is sold to (1) a public body which will use the property in connection with the development of a low-rent housing project assisted under the United States Housing Act of 1937, or under a state or local program found by the Secretary to have the same general purposes as the federal program under such act, or (2) a purchaser who will use the property in connection with the development of (i) rent supplement units, (ii) below-market-interest-rate moderate income housing or (iii) rental housing on behalf of which interest reduction payments are made under Section 236 of the National Housing Act. Prior to any sale or lease to a purchaser other than a public body the Secretary must notify the governing body of the locality where the property is located and no sale or lease may be made if, within 90 days, the local governing body formally notifies the Secretary that it objects to the proposed sale or lease.

As a condition to any sale or lease of surplus real property, the Secretary of Housing and Urban Development is required to obtain such undertakings as he may consider appropriate to assure that the property will be used in the provision of rental or cooperative housing to be occupied by families or individuals of low or moderate income for a period of not less than 40 years. If during such period the property is used for any purpose other than the purpose for which it was sold or leased, it will revert to the United States (or, in the case of leased property, the lease will terminate) unless the Secretary, after the expiration of the first twenty years of such period, has approved the use of the property for such other purpose. The Secretary must notify the Senate and House Committees on Banking and Currency whenever any surplus real property is sold or leased pursuant to this section.

4. *Disposition of Surplus Land for Low and Moderate Income Housing and Related Facilities.* The 1970 Act amends Section 414 of the Housing and Urban Development Act of 1969 to authorize the Administrator of General Services to dispose of Federal surplus land to the Secretary of HUD for the construction of low and moderate income sales housing and related public commercial and industrial facilities. Existing law authorizes such disposal only for low and moderate income rental or cooperative housing.

II. *Recommendations:* 1. NHC recommends full funding and full use of all of the authorizations in existing legislation for the purpose of assuring that there will be an adequate supply of improved building sites available at reasonable prices to meet our housing goals, with special emphasis on the needs for such land at prices which would permit its use for housing persons of low and moderate incomes. The amount of the appropriations and authorizations for these programs (including urban renewal) should be increased commensurate with the tremendous need to increase the supply of improved building sites to enable the contemplated expansion of housing production.

2. NHC recommends necessary increases in the authorizations and appropriations for all the programs which provide Federal assistance for public services and facilities in the new areas where improved land is to be made available for housing including: water and sewer systems; neighborhood facilities; open space; the new towns and new communities program; mass transportation; health, education and welfare.

3. The additional improved building sites should be made available both within the cities and outside of the cities. We must make available for housing development extensive areas of vacant land or other sites which do not involve substantial residential displacement; such land must be provided with necessary public and community facilities and services. Existing legislation should be amended to the extent necessary to enable the write-down of improved sites in such new areas of vacant land so the improved land will be at a price which enables its use for housing, particularly for those of low and moderate incomes.

4. To help provide the measures necessary to accomplish the foregoing objectives, NHC supports and urges the passage of S. 609, the "Urban Planning and Housing Assistance Act of 1971," introduced by Senator Javits. This bill contains the following provisions to encourage improved land utilization and expanded housing programs:

(a) It would deny assistance under programs of the Department of Housing and Urban Development to cities which employ restrictive land use practices to exclude publicly-assisted housing for low and moderate income families.

(b) It would provide 50 percent grants to pay for local services, such as transportation or water and sewers, which would be affected by more intensive land utilization and expanded housing.

5. To help provide sites for low and moderate income housing, NHC believes that nonprofit and profit-motivated sponsors need assistance from the Federal Government to overcome local restrictive zoning and other discriminatory practices which exclude Federally assisted housing. We strongly recommend the legislation described in paragraph 3(o) of Chapter B.

6. Federal grants should be made to municipalities and public agencies to cover impact costs of providing educational, health and other services which result from the location of housing developments in an area. The Federal grant should cover the additional costs involved which cannot be met from collections of full taxes or their equivalents on the project. We recommend payment of full taxes or their equivalents on public and other assisted housing.

#### CHAPTER Y. PUBLIC AND COMMUNITY FACILITIES INCLUDING WATER, SEWER, NEIGHBORHOOD FACILITIES AND OPEN-SPACE LAND PROGRAMS

I. *Summary of Existing Legislation:* 1. *Need.* There is a great and continuing need for Federal public facilities grants to assist in overcoming serious backlogs in replacing substandard or obsolete facilities—especially in the central cities—and eliminating water pollution and meeting the unprecedented demands for additional facilities and services generated by population expansion. These needs cut across whole metropolitan areas and involve central cities, new suburbs and the new communities still to come. This essential expansion in Federal aid could be a potent influence in resolving the present chaotic conditions created by the multiplicity of local governmental jurisdictions in most metropolitan areas. This multiplicity has led to suburban sprawl, land misuse, land speculation, and frequent failure of metropolitan area and regional planning as an effective tool for the control of new developments. Such a program could provide important leverage to establish coordinated local governmental approaches to control programs of area and region-wide significance. At the same time, it could foster decentralization of local governmental functions of strictly local application.

2. *Authorizations in 1968 and 1969 Housing Acts.* (a) The 1968 Act only authorized funds to be appropriated for water and sewer facilities and the open-space land program. For water and sewer facilities an additional \$150 million was authorized for fiscal year 1969

and \$115 million for fiscal 1970. For the open-space land program, the 1968 Act authorized to be appropriated for the purpose of making grants an additional \$150 million (for a total ceiling of \$460 million) prior to July 1, 1970. The limit on the amount of funds the Secretary of HUD is authorized to use for grants for technical assistance on open space was raised by \$75,000. The Act provided that any appropriations made for water and sewer facilities, neighborhood facilities, and advance acquisitions of land programs not already appropriated may be appropriated for fiscal 1970. The Act extends the interim planning requirements under the basic water and sewer facilities grant program to October 1, 1969.

(b) The 1969 Act authorized for Open Space, Urban Beautification, and Historic Preservation Grants: Section 702(b) of the Housing Act of 1961 is amended to extend the availability of approximately \$84 million in unused authorization for open space, urban beautification, and historic preservation programs through the fiscal year 1971. Prior to this amendment the authorization would have expired at the end of the fiscal year 1970.

(c) The 1969 Act authorized for Community Facilities Grants: Section 702(c) of the Housing and Urban Development Act of 1965 is amended for one year (until October 1, 1970) the time within which a community may qualify for a basic water and sewer facilities grant even though its program for an area-wide system (though under preparation) has not been completed.

(d) The 1969 Act amends Section 708(b) of the 1965 Act to authorize appropriations for grants for basic water and sewer facilities, neighborhood facilities, and advance acquisition of land through the fiscal year 1971. Prior to this amendment, these appropriations were authorized to be made only through fiscal year 1970.

(e) The 1969 Act amends Section 708(a) of the 1965 Act to authorize the appropriations of an additional \$100 million for basic water and sewer grants for fiscal year 1971.

3. *Authorizations in Appropriation Acts.* For fiscal year 1969 there was an appropriation of \$165 million for water and sewer grants, an appropriation of \$75 million for open-space land grants, and an appropriation of \$35 million for neighborhood facilities grants. For fiscal year 1970, there was an appropriation of \$135 million for water and sewer—plus \$15 million carryover—\$75 million for open space and \$40 million for neighborhood facilities. The vetoed appropriation act for fiscal year 1971 contained \$500 million for water and sewer facilities grants, \$75 million for open space land programs and \$40 million for neighborhood facilities grants. As finally passed, the appropriation act included \$350 million for water and sewer facilities grants and \$75 million for open space land programs and \$40 million for neighborhood facilities grants.

4. *Amendments in the Housing and Urban Development Act of 1970: Consolidation of Open-Space Land Programs.*—The 1970 Law amends title VII of the Housing Act of 1961 (grants for open-space land, urban beautification and historic preservation) to authorize a single program of grants for (1) acquisition of title to, or other interests in, open-space land in urban areas, and (2) the development of open-space or other land in urban areas for open-space uses (including historic preservation).

5. *Other Legislation—1970.* In addition to the regular water and sewer appropriation, Congress passed a \$1 billion authorization for basic water and sewer facilities. When President Nixon signed this bill, he commented that he would not spend the money if it were appropriated. To this date there has been no appropriation.

II. *Recommendations: 1. Urgent Need To Continue Water and Sewer Grant Program.*

The Budget Message contemplates phasing out the water and sewer program and consolidating it with three other categorical grant programs into a new community development grant program. For the reasons set forth in Chapter E, NHC opposes this plan to phase out water and sewer grants and other categorical grant programs. However, we are in agreement with the principle that these Federal grants should be made available for use by local governments without Federal accountability or program supervision, except for (1) compliance with non-discrimination obligations and (2) the use of funds for the specific purpose of the grant.

The water and sewer grant program is facing a serious threat. Of the \$350 million appropriated for fiscal 1971, the Administration intends to obligate only \$150 million and to carry the balance of \$200 million over to next year. Evidently, it is planned to use only \$100 million of this money during the first six months at which time the Community Development Program would become operative if legislation were enacted to implement it. We urge the retention of the water and sewer grant program. The full amount authorized for fiscal 1971 should be spent. In addition, there should be an additional appropriation for fiscal 1972 at least equal to the \$350 million appropriated last year for water and sewer facilities grants.

There should also be advance appropriations for each succeeding fiscal year, besides the current one, to give public agencies more lead time for their planning and development of these programs. When the additional legislative authorization recommended below is made, we recommend an increase in the rate of appropriations to \$2 billion annually for water and sewer grants, and for other public and community facilities as described below.

2. *Increase in Legislative Authorization.* NHC recommends a 5-year authorization of \$2 billion annually for grants to local governments for basic water and sewer facilities and other types of public improvements and community facilities. Of the \$2 billion, \$250 million should be made available annually for the open space land program. The public improvements and community facilities should include those authorized by the 1965 Act such as neighborhood and public facilities, particularly in slum and ghetto areas. It should also include the acquisition of land to provide parks and recreational facilities in urban areas, so that they are closely accessible to the people who need them most.

### 3. *Other Legislative Amendments:*

(a) As recommended in these recommendations on other comparable programs, Federal grants to larger cities for public and community facilities should be increased to  $\frac{3}{4}$  from the present  $\frac{1}{2}$ , since their need is as grave as that of small cities. For neighborhood centers, parks and recreational facilities in slum and ghetto areas, the Federal grant should be 100%. Moreover, there should be annual Federal grants to provide for the staff and operating expenses of such facilities. The neighborhood facilities centers in such areas should be permitted to include swimming pools—either indoor or outdoor—and gymnasiums.

(b) We believe that the foregoing grants should be generally restricted to communities that are simultaneously providing adequate housing for low and moderate income families, where the need for such housing exists.

## CHAPTER 2. FEDERAL PROGRAM FOR PLANNING AND MANAGEMENT ASSISTANCE TO STATES, TO AREA-WIDE AGENCIES AND TO LOCALITIES

I. *Summary of Existing Legislation: 1. Need.* The increased concentration of population in and around metropolitan areas has been an urgent need for a coordinated development of resources and services for urban

and rural areas and a need to facilitate comprehensive planning for these areas. Because of the problem of multiplicity of political jurisdictions and agencies involved with this planning, and because of the inadequacy of the operational and administrative arrangements available for cooperation among them, NHC believes that Federal programs are badly needed to achieve the additional participation and cooperation from the states and localities. The 1968 Housing Act contains the following provisions to meet this need:

(a) The Section 701 planning assistance grant program is extensively revised. The Secretary of HUD is now authorized to make comprehensive planning grants to State planning agencies for assistance to "district" planning agencies for any other non-metropolitan areas. Consultation with the Secretary of Agriculture is required prior to approval of any district planning grants. The Secretary of Agriculture and, when appropriate, the Secretary of Commerce, may provide technical assistance in connection with the establishment of districts and the carrying out of planning by them.

(b) Other new provisions authorize direct planning grants to Indian tribal planning councils or other bodies for planning on Indian reservations; to regional and district councils or government as well as those organized on a metropolitan basis; to regional commissions and economic development districts established under the Public Works and Economic Development Act of 1965; to cities, without regard to population, within metropolitan areas for planning which is part of metropolitan planning; and to official Government planning agencies for area where rapid urbanization is expected as a result of a new community development assisted under Title IV of the Act. The Secretary is required to consult with the Secretary of Commerce before making any planning grant which includes any part of an economic development district.

(c) The definition of comprehensive planning is broadened to include planning for the provision of governmental services and for the development and utilization of human and natural resources. The inclusion of a housing element is required as part of the preparation of comprehensive land use plans. The use of private consultants, where their professional services are deemed appropriate by the assisted governments, is added to the stated purposes of the program.

## 2. *Authorizations in the 1968 and 1969 Housing Acts:*

(a) *Comprehensive Planning.* The Act increased the amounts authorized to be appropriated for the purposes of comprehensive planning by \$35 million making a total not to exceed \$265 million prior to July 1, 1969 and authorized to be appropriated an additional \$125 million for a total not to exceed \$390 million prior to July 1, 1970. Of the amount available prior to July 1, 1969, \$20 million may be used only for district planning grants and that amount shall be increased by \$10 million on July 1, 1969. All amounts appropriated must remain available until expended except that any funds so appropriated, not to exceed an aggregate of \$10 million plus 5 percentum of the funds so appropriated, may be used by the Secretary for studies and research in comprehensive planning.

(b) *Planned Area-Wide Development.* Supplementary grants (designed to encourage areawide planning) are authorized for Federally-assisted projects in all multijurisdictional areas (not just metropolitan areas as previously provided) such as the rural planning districts proposed to be assisted with comprehensive planning grants under the comprehensive planning provisions of the law. Unused authorizations for appropriations for supplementary grants for fiscal

year 1967 and 1968 are made available through fiscal year 1970.

(c) The 1969 Housing Act amends Sec. 701 (a) of the 1954 Housing Act to extend availability of approximately \$100 million in unused authorization for comprehensive planning grants through the fiscal year 1971. Under existing law this authorization will expire at the end of the fiscal year 1970.

3. *Amendments in Housing and Urban Development Act of 1970.* The 1970 Act amends Section 701 (b) of the Housing Act of 1954 to extend for 1 year (through fiscal year 1972) authority to appropriate unused authorizations for comprehensive planning grants. The Act also authorizes an additional \$30 million for comprehensive planning grants to be appropriated prior to July 1, 1972.

4. *Authorizations in Appropriation Acts.* For fiscal year 1969, \$43,338,000 was appropriated for urban planning grants. Out of \$10 million requested for areawide development grants for fiscal year 1969, none was appropriated for fiscal year 1970. \$50 million has been appropriated for urban planning grants for fiscal year 1970 and 1971. Again, nothing was appropriated for areawide development grants. President Nixon's budget request for fiscal year 1972 requested \$30 million for Comprehensive Planning Grants.

II. *Recommendations: Additional Authorization in Appropriation Acts.* NHC urges that full amounts be appropriated for supplemental grants for the orderly growth of our urban areas. These are needed to achieve more effective coordinated metropolitan area planning and program development. In addition, NHC urges that the \$10 million authorized for a program of areawide incentive grants be appropriated.

*President's New Planning and Management Program.* In his Message on March 5, 1971, dealing with special revenue sharing on urban community development, the President recommended federal grants for a new Planning and Management Program. We quote from his Message:

"To strengthen State and local capacities even further, I am presenting a second proposal today, one that would do a great deal to help all of our revenue sharing proposals work even better. I am asking the Congress to authorize a new program of Planning and Management Assistance to States, to areawide agencies and to localities. Under this program, \$100 million would be available for these purposes.

"The new program would involve more money, and would provide recipient governments with broader and more flexible support for building up their capacity to govern effectively. . . . It will place new emphasis on the creation of a comprehensive management process, one that ties together planning and action, not just in the community development field, but in fields such as transportation, education, law enforcement and all other fields of local and areawide governmental endeavor. . . ."

Until we know more about the proposed operation and specifics of this new program, NHC is not able to take a position on it. However, we are favorably disposed to it: (i) if it will result in an increase in the total amount of aid available to States, area-wide agencies and localities for the important purposes contemplated by the program; (ii) if the new program will not adversely affect any present programs; and (iii) if there is no interruption or withholding of funds for present programs during the transitional period until the new program is enacted and becomes fully operational.

#### CHAPTER AA. URBAN MASS TRANSPORTATION

##### I. Summary of Existing Legislation:

1. *Objective.* There is an urgent need to modernize, expand and reorganize the urban transportation systems. Adequate Federal grants are necessary to achieve this objective.

##### 2. Authorizations in the 1968 and 1969 Housing Acts:

(a) The 1968 Act increased authorized appropriations for grants and other assistance to urban mass transportation by \$190 million for fiscal year 1970. The amount of funds which can be used for research, development, and demonstration projects was increased by \$6 million, commencing July 1, 1968; also the statutory limit on the funds available for this purpose is removed, commencing July 1, 1969. The definition of "mass transportation" was broadened to allow greater flexibility and opportunity for application of new concepts and systems.

(b) The 1969 Act amended Section 4(b) of the Urban Mass Transportation Act of 1964 to authorize appropriation of \$300 million for fiscal year 1971 for grants under that Act.

3. *Authorizations in Appropriation Acts.* For the fiscal years 1969 and 1970 there were appropriations of \$175 million each year. Of the total amount in legislative authorizations for mass transit grants, \$70 million has not been appropriated. Section 5 of the 1964 Act is amended to extend until July 1, 1971, the interim program there authorized of 50 percent grants for mass transportation facilities and equipment in urban areas not yet able to meet full areawide comprehensive planning and programming requirements. These emergency grants are in place of the two-thirds federal grants available when all comprehensive planning requirements are met.

II. *Recommendations: 1. Additional Authorizations in Appropriation Acts.* NHC recommends an appropriation of the \$70 million authorized by law for mass transit grants, but not yet appropriated. When the additional legislative authorization recommended below is made, we urge an increase in the rate of appropriations of \$750 million annually for mass transportation grants. No funds were requested by HUD for fiscal year 1971 because under an agreement between HUD and the Department of Transportation (DOT), the administration of HUD's residual functions in mass transportation will be transferred to DOT, as will unobligated balances.

2. *Increase in Legislative Amendments.* NHC recommends that the authorization of appropriations for mass transit grants be increased to \$750 million per year for the next five years. The expansion of the program is necessary to achieve the housing and urban development goals recommended in this report. We also urge an advance appropriation for each succeeding fiscal year, besides the current one, in order to give cities more lead time for planning their mass transit programs.

#### CHAPTER BB. RESEARCH, TECHNOLOGY, TRAINING, AND TECHNICAL ASSISTANCE

##### I. Summary of Existing Legislation: 1. Need for Basic Research and Training:

(a) The housing industry has neither the organization nor the resources to support substantial research in the area of housing technology and research. Existing research is almost exclusively in the hands of material and large equipment suppliers and reflects the particular interests of these groups. It is necessary that federal financial support be given toward the development of new systems and overall construction techniques. The technological advances necessary to reduce housing costs must be accompanied by more uniform building codes in all areas of the nation. This will make it more feasible for developers and manufacturers to produce housing and materials for a national market.

(b) There is a shortage of trained professional and sub-professional personnel in the broad field of community development. This presents a serious problem in achieving effective action programs.

2. *Authorizations in 1968 and 1969 Housing Acts.* The 1968 Act recognizes the need for urban technical assistance, research, and training and provides assistance in the following areas:

(a) *Advances in Technology in Housing and Urban Development.* The Act authorizes such sums as may be necessary to be appropriated, commencing with fiscal year 1969, for studies of new and improved techniques and methods of applying advances in technology to housing construction and rehabilitation, and to urban development. Four-year contracts are authorized for such studies rather than two-year contracts as heretofore authorized.

(b) *Housing for Lower Income Families Through New Technologies.* The Act directs the Secretary of HUD to institute a program under which qualified public and private organizations will submit plans for the development of housing for lower income families, using new and advanced technologies, on Federal land which has been made available for that purpose or on other suitable land. The Secretary is to approve five plans, each of which shall have a technology and organization with a potential to produce at least 1,000 dwelling units a year. The Secretary is to seek the construction of that number of dwelling units a year over a five-year period for each of the various types of technologies proposed in approved plans. Mortgages financing the projects are authorized to be insured under the FHA experimental housing program.

(c) *Authorization for Urban Information and Technical Assistance Service Program.* The Act increases the authorization for grants to states to assist in the provision of urban information and technical assistance by \$5 million for fiscal year 1969, and by \$15 million for fiscal year 1970. Amounts authorized for these grants, but not appropriated, are authorized to be appropriated for any succeeding fiscal year commencing prior to July 1, 1970. In the Administration's budget requests for fiscal year 1971, the Urban Information and Technical Assistance program are combined with the Comprehensive Planning Assistance (701) program described in Chapter X.

(d) *Federal-State Training Programs.* The Act broadens the Federal-State training program to permit grants to states for training of subprofessional—in addition to professional—persons who will be employed in the field of housing or community development. The trainees may be trained for employment by private nonprofit organizations or public organizations which have responsibility for housing and community development programs.

(e) *1969 Act Amended Training and Fellowship Programs as follows:* Title VIII of the Housing Act of 1964 was revised to consolidate, under one authorization, that title's program of fellowships for city planning and urban studies and the community development training program. Specifically, the title:

(1) Consolidates the title by striking the headings which divide it into two separate parts;

(2) Amends Section 801(b) by including, as a purpose of the consolidated title, the provision of "fellowships for the graduate training of professional city planning and urban and housing technicians and specialists";

(3) Amends Section 810 by striking the first sentence (which authorizes appropriations for urban fellowships) and substituting a general authority for the Secretary to provide such fellowships;

(4) Substitutes for Section 802(d), which authorizes without fiscal year limitations \$30 million in appropriations for community development training programs, a new section numbered 806 authorizing appropriations,

without fiscal year limitation, of up to \$30 million for the consolidated Title VIII program; and

(5) Amends appropriate sections of the title to strike inapplicable references to its several "parts" and substitute appropriate reference to the "title" or to the various "sections" thereof.

(f) *Extension of Urban Information and Technical Assistance Services Authorization:* The 1969 Act amended Section 906 of the Demonstration Cities and Metropolitan Development Act of 1966 to authorize appropriations for grants to help finance programs of urban information and technical assistance services through fiscal year 1971. Prior to this amendment, appropriations were authorized to be made only through fiscal year 1970.

3. *Authorizations for Urban Research and Technology in Appropriation Acts.* There was an appropriation of \$11 million for fiscal year 1969 for urban research and technology and an appropriation of \$12 million for the low income demonstrations program for fiscal year 1969. There was an appropriation of \$500,000 for urban fellowships. There was no appropriation for the urban information and technical assistance service programs. For fiscal year 1970, \$25 million was appropriated for urban fellowships. For fiscal year 1971, \$30 million was appropriated for urban research and technology; \$35 million was appropriated for community development training and urban fellowships.

4. *Additional Authorizations for Training and Fellowships in Appropriation Acts.* NHC recommends necessary appropriation authorizations to carry out all of the authorizations in the 1968 and 1969 Acts for training and fellowship programs. In addition, NHC recommends that \$1 million a year be appropriated for training under a 5-year program; and that the fellowships be increased to \$2 million a year under a 5-year program.

5. *Amendments in Housing and Urban Development Act of 1970:*

(a) *Research and Demonstrations—*The 1970 Act authorizes and directs the Secretary of Housing and Urban Development to undertake such programs of research, studies, testing, and demonstration relating to the mission and programs of the Department as he determines to be necessary and appropriate. To carry out activities under this section there would be authorized to be appropriated such sums as may be necessary. All funds so appropriated would remain available until expended unless specifically limited.

(b) *General Provisions—*The 1970 Act brings together under one heading a series of administrative and other provisions which are applicable to activities under section 501 as follows:

(i) A new section, which is based on section 1010 of the Demonstration Cities and Metropolitan Development Act of 1966 and section 417 of the Housing and Urban Development Act of 1969, directs the Secretary, to the greatest extent feasible, to require the use of advanced technology under housing programs administered by him, and to encourage and promote the acceptance and application of such advanced technology by all segments of the housing industry, communities, and the general public.

(ii) A new section is based on section 108 of the Housing and Urban Development Act of 1968. It provides that in order to encourage large-scale experimentation in the use of new technology with a view toward the ultimate mass production of housing and related facilities, the Secretary shall, wherever feasible, conduct programs under section 601 in which qualified organizations, public and private, will submit plans for development and production of housing and related facilities using such new advances on Federal land where local building regulations or variances from them permit such experimental construction.

(iii) A new section is based on provisions in section 1010 of the Demonstration Cities and Metropolitan Development Act of 1966 and section 108 of the Housing and Urban Development Act of 1968. The Secretary would be authorized, in connection with projects under this title, to acquire and dispose of land and other property required for the project as he deems necessary.

(iv) A new section which is based on section 314 of the Housing Act of 1954, section 301 of the Housing Act of 1943, section 602 of the Housing Act of 1956, and section 1011 of the Demonstration Cities and Metropolitan Development Act of 1966, authorizes the Secretary to pay for the cost of writing and publishing reports on activities financed under section 501, and similar activities, not so financed which are of significant value in furthering the purposes of that section.

(v) A new section is based on provisions in section 301 of the Housing Act of 1948, section 314 of the Housing Act of 1954, section 207 of the Housing Act of 1961, and sections 1010 and 1011 of the Demonstration Cities and Metropolitan Development Act of 1966. It authorizes the Secretary to carry out his functions under section 601 either directly, or by contract or grant.

(vi) A new section is based on title III of the Housing Act of 1948, section 602 of the Economy Act of 1932 (31 U.S.C. 686). It requires the Secretary to utilize facilities of other Federal departments and agencies, and to consult with and make recommendations to such agencies; and authorizes him to enter into working agreements with them.

(vii) A new section is based on provisions in section 602 of the Housing Act of 1956 and provides that the Secretary is authorized to obtain information from private and public sources.

(c) *Repeal of Existing Research Authorities—*The 1970 Law repeals, effective July 1, 1971 (except for contracts, commitments, reservations, or other obligations entered into prior to that date) title III of the Housing Act of 1948, section 314 of the Housing Act of 1954, section 602 of the Housing Act of 1956, section 207 of the Housing Act of 1961, section 301 of the Housing and Urban Development Act of 1965, sections 1010 and 1011 of the Demonstration Cities and Metropolitan Development Act of 1966, and subsection 1714(b) of the Housing and Urban Development Act of 1968.

6. *Recommendations on Research and Technological Development:*

(a) NHC supports an increase of \$75 million in the appropriation for research and development over the \$45 million contained in the HUD budget proposed for the fiscal year beginning July 1, 1971 (fiscal 1972).

(b) NHC supports legislation authorizing FHA insurance of the cost of plant production facilities for approved industrialized housing systems. This can be done through an amendment of the experimental housing provisions under Section 233 of the National Housing Act.

(c) NHC recommends administrative action or legislation, if necessary, to permit—in the case of FHA-insured rental or cooperative projects involving use of factory-produced components—the making of progress payments by the developer to the housing manufacturers based upon certified invoices of receipts and expenditures for materials and labor by the manufacturer, such progress payments to be covered by the FHA insurance of construction advances to the developer.

#### CHAPTER CC. OPERATION BREAKTHROUGH

I. *Summary of Existing Legislation:* 1. Last summer Secretary Romney initiated the Operation Breakthrough program. It is designed to achieve advances in design and planning of housing and to use modern techniques of production, marketing and management. Its purpose is to increase great-

ly the supply of quality housing, particularly for those of low and moderate incomes.

2. To initiate Operation Breakthrough, HUD solicited requests for proposals for several types of contracts: Type A for design, testing and evaluation, and prototype construction of complete housing systems which can lead to volume production. The program is planned in three phases: Phase I, Design and Planning; Phase II, Prototype Construction, and Phase III, Volume Production. HUD has made awards to 22 bidders for Type A contracts.

3. Type B contracts were solicited for research, development and design of innovative concepts for any individual or group of primary elements of building systems, materials and techniques, land use concepts and business considerations—including legal, financing, processing and management techniques. HUD is now studying proposed awards for Type B contracts.

4. HUD sought and has awarded contracts for eight prototype sites (from 5 to 30 acres each) to be brought under Government control and used to erect and display the prototypes which HUD selects. HUD intends that the sites will be an effective marketing device to spur demand for projects using the prototype dwellings.

5. Volume production is to be achieved with the aid of one or more of the HUD programs, including Sections 235 and 236. HUD intends to give priority in allocation of funds—under Sections 235, 236 and other programs—to projects using the prototype dwellings.

6. The 1969 Housing Act amended Section 1010(a) of the Demonstration Cities and Metropolitan Development Act to direct the Secretary of Housing and Urban Development to assure—to the extent feasible, in connection with the construction, major rehabilitation, or maintenance of any housing assisted under that section—that there is no restraint by contract, building codes, zoning ordinances or practice against the employment of new or improved technologies, techniques, materials, and methods or of preassembled products which may reduce the cost or improve the quality of such construction, rehabilitation, and maintenance. The purpose is to stimulate expanded production of housing under such programs, except where the foregoing restraints are necessary to insure safe and healthful working and living conditions.

II. *Recommendations:* 1. NHC favors Operation Breakthrough and the programs of technological development in housing with their objectives to add to the production resources necessary for the achievement of our housing goals; also, to help offset the inflationary rise in housing costs. Inflationary increases in housing and financing costs have adversely affected the consumer and made it impossible for many people who need homes to get them at prices or rents which they can afford.

2. NHC has always urged the prompt and full use of all funds authorized by the Congress for housing production rather than withholding funds or uses that will not materialize during the ensuing year. Accordingly, NHC urges that HUD take no action at this time which would withhold funds from use except where the Operation Breakthrough housing is already under production using a system which has been approved by HUD.

#### CHAPTER DD. LOAN INSURANCE FOR MOBILE HOMES

I. *Summary of Existing Legislation:* 1. *Need.* During the last 2 years, there has been a great increase of interest in mobile homes as a source of lower cost housing. Sales of mobile homes have increased substantially, from about 235,000 in 1967, to about 300,000 in 1968, and may total nearly 400,000 in 1969.

A recent survey conducted by the Bureau

of the Census for HUD revealed that mobile homes contribute significantly to housing supply. However, while the production and sale of mobile homes have expanded greatly in recent years, so that an estimated 5½ million people live in about 1,800,000 mobile homes in the United States, the number and quality of mobile home parks have not kept pace. There is a great deficiency of suitable mobile home park spaces, and generally the ones that exist are improperly designed and provide inadequate community facilities.

2. *Amendments in the Housing and Urban Development Act of 1969.* Section 207 of the National Housing Act is amended to increase the maximum amount of a mortgage which may be insured for a mobile home court from \$1,800 to \$2,500 per space and from \$500,000 to \$1,000,000 per project mortgage. The section also redesignates, for greater accuracy, the mortgage insurance program for "trailer courts or parks" as a program for "mobile home courts or parks."

Title I of the National Housing Act is amended to authorize the establishment of a new FHA program financing the purchase of a mobile home to be used by the owner as his principal place of residence. Under this program, a purchaser can obtain an FHA-insured loan in an amount not exceeding \$10,000 which must be repaid over a maximum term of 12 years. The financing charge to the purchaser is to be prescribed by the Secretary of Housing and Urban Development and may vary depending on the amount and term of the loan. In addition, the Secretary is required (1) to prescribe minimum property standards to assure the livability and durability of the mobile home and the suitability of the site on which the mobile home is to be located, and (2) to obtain assurances from the borrower that the mobile home will be placed on a site which complies with the standards prescribed by the Secretary and with local zoning and other applicable local requirements.

3. *Amendments in the Housing and Urban Development Act of 1970 Mobile Home Loans Under Title I.* The 1970 Act amends section 2(b) of the National Housing Act (home improvement and mobile home loan insurance) to provide that when a mobile unit is composed of two or more modules, the maximum insurable mobile home loan shall be \$15,000 (instead of \$10,000) and the maximum term shall be 15 years 32 days (instead of 12 years 32 days).

II. *Recommendations:* 1. NHC recognizes the contribution which mobile homes can make toward meeting our national housing goals, particularly among lower income families. The rapid improvements in the quality and living space of mobile homes—and the use of modular and other modern production techniques—have enhanced the usefulness of such homes, particularly since the cost of other housing has increased beyond the financial reach of families of modest means.

2. NHC recommends that necessary safeguards be established for mobile home parks which will assure that the mobile homes are located in an area that has adequate sanitary and community facilities; also, to assure that the mobile home parks are planned in a manner which is not inconsistent with sound urban development of metropolitan areas. In many cases, mobile home courts are built just outside the cities and just beyond the reach of present zoning and building code authorities. Yet, population growth will result in the expansion of metropolitan areas to embrace the areas covered by the mobile home parks. Accordingly, it is necessary that the mobile home parks conform to the long-range plans of metropolitan areas. Likewise, it is necessary to assure that the mobile homes meet appropriate quality and space standards.

NHC recognizes wider and larger mobile homes can be built with substantially the same quality as other homes which qualify

for FHA insurance. NHC recommends that such mobile home units be eligible for 40-year mortgage financing under Sections 213, 207, and 221(d)(3) if such projects (a) meet FHA design, construction and durability standards and (b) conform to site planning and engineering criteria that make such projects comparable to other developments which qualify under Sections 213, 207 and 221(d)(3).

#### CHAPTER EE. EFFECT OF TAX REFORM ACT ON HOUSING

On December 30, 1969, President Nixon signed the Tax Reform Act of 1969 into law. There are several provisions in the Act that drastically altered current tax consequences associated with housing and real estate development; also, the Act adds an important incentive for the production of low and moderate income housing and its sale to the occupants. A summary of these provisions follows:

1. Accelerated depreciation—i.e., 200 percent of the straight line rate—will only be permitted for new residential rental housing. However, there are recapture provisions which offset the tax benefits upon a sale to the extent described below.

2. Any excess of accelerated depreciation over straight line depreciation will be subject to recapture for approximately 16 years 8 months instead of the present 10 years. These new recapture rules do not apply, however, to the Section 221(d)(3) and 236 limited distribution programs to serve low and moderate income groups. For these programs, the recapture rules of existing law are retained without change—namely there is no recapture if the project is held for ten years. Thus, the new tax law retains the existing tax incentives for such housing constructed to serve those of low and moderate incomes.

3. Subsequent owners of new residential rental property are divided into two categories: those who acquired used residential property with a useful life of less than 20 years and those who acquired used residential property with a useful life of 20 years or more. Those in the first category are limited to straight line depreciation while those in the second category may depreciate the property at a rate not to exceed 125 percent of the straight-line rate.

4. The new tax law provides for deferral of gain upon certain prescribed sales of Section 221(d)(3) and 236 limited distribution projects. On these federally-assisted projects serving those of lower incomes where the investor is limited to a return on his investment, the Government will now encourage the sale of these housing projects to the lower income occupants, a cooperative or other organization which will operate the property for their benefit. To qualify for the deferral of a taxable gain upon such a sale of a housing project, the owner is required to reinvest the proceeds in another lower income housing project. The taxpayer's basis from the old property, to the extent of the reinvestment, becomes part of his basis for the new property. This provision provides a necessary tax incentive for the production of low and moderate income housing and for its sale to or for the benefit of the lower income occupants.

#### CHAPTER FF. CREATION OF HEALTHY ENVIRONMENTAL CONDITIONS

Housing must be in a suitable environment. We now suffer from the tragic and dangerous effects of air and water pollution and unsafe and inadequate waste disposal. Likewise, recent studies reveal that the high noise level of our cities may prove as deleterious as other forms of pollution. Yet, little has been done to alleviate these pollution conditions which are growing worse.

I. *Summary of Existing Legislation:* Before the overt public concern with our environment, Congress passed several signifi-

cant pieces of legislation aimed at controlling the environment. A summary of the more important laws follows:

1. *Clean Air Act of 1963.* This Act provided for an expanded and strengthened program. It authorized legal actions to stop air pollution. It also authorized matching grants to state, local and interstate agencies for programs of air pollution prevention and control.

2. *Motor Vehicle Air Pollution Control Act—1963.* This Act directed the Secretary of HEW to establish standards on the emission of substances from new motor vehicles or engines which contribute to air pollution. The Act prohibited the sale, manufacture for domestic sale, or importation of any vehicle or engine not in conformity with the regulations and provided fines of up to \$1,000 for each new vehicle or engine manufactured or sold in violation of the regulations.

3. *Water Quality Act of 1965.* This Act requires the states to establish and enforce water quality standards for all interstate waters within their boundaries. If a state fails to take necessary action by June 30, 1967, HEW can act and set federal standards. The establishment of water quality standards is designed to prevent pollution before it occurs, since it is now possible to determine whether discharges of wastes and sewage cause unacceptable pollution in an interstate body of water.

4. *Clean Waters Restoration Act of 1966.* This Act provides that a Federal grant could pay from 30 to 50 percent of the construction costs of a sewage treatment plant. The higher grants are conditional on state participation in the financing of treatment plants and the establishment by the state of quality standards for non-interstate bodies of water within its boundaries.

5. *Air Quality Act of 1967.* This Act enlarged the existing federal responsibility for air pollution control. In most cases the Federal Government will not step in unless the states fail to act. The HEW Secretary is authorized in time of "imminent and substantial" danger to public health from air pollution, to seek a court injunction to halt further emissions into the atmosphere.

HEW is also authorized to designate air quality control regions throughout the nation. It can provide full federal financing for regional control commissions to be established by state governors. HEW can enforce air quality standards in the control regions, if the regional commissions fail to enforce an air pollution plan that complies with guidelines for air purity prescribed by HEW.

The Act further requires the registration of all fuel additives with HEW. Fuel manufacturers are required to notify HEW of the type, concentration and purpose of all additives used in their fuels.

The Act provides that automobile exhaust standards can be issued only by the Federal Government, except for California, which is permitted to enforce its own more stringent standards.

#### II. *Recent Legislation: Clean Air Bill of 1970:*

(a) The Act contains the following deadlines for a 90% reduction of specified automobile emissions:

(1) a 1975 deadline for carbon monoxide and hydrocarbons,

(2) a 1976 deadline for nitrogen oxides.

(b) The Act allows the Administrator of the Environmental Protection Agency (EPA) to control or prohibit fuels or fuel additives which he deems harmful to public health or welfare or which impair a device or system to control emissions.

(c) The Act allows the Federal Government to set "primary" quality standards with the states having control over "secondary" air standards.

(d) *Authorizations.* The Act includes authorizations of \$1.1 billion over three fiscal years. This includes \$350 million for research

on fuels and low-emission engines; \$15 million for long-term research grants; \$650 million for state grants and other programs; \$55 million for a Federal low-pollution car program; and \$30 million for a new noise pollution program.

### III. Recommendations:

1. NHC concurs with the past pronouncements of President Nixon that: "It is literally now or never . . . A major goal for the next ten years must be to restore the cleanliness of the air, the water, the broader problem of population congestion, transportation and the like."

2. NHC believes that we should have a ten-year goal to end air, water and other pollution and create healthy environmental living conditions. However, it is imperative that we should not let our concern for environment replace our priority concern to fulfill our housing goals. We must avoid the tendency to replace priorities instead of fulfilling them. We must not be diverted from our commitment to meet the need to provide decent housing for all Americans.

3. NHC suggests that HUD and DOT jointly study the impact of airports on housing in close proximity thereto or within flight patterns including:

- (a) noise, air or other pollution;
- (b) the distance required or other measures needed to assure healthy environmental conditions for such housing; and
- (c) the actions required to resettle people displaced from airport impact areas suffering from unhealthy environmental conditions and the utilization of land in such airport impact areas for appropriate purposes other than housing.

### CHAPTER GG. PROGRAMS AND POLICIES FOR GENERAL APPLICATION TO HOUSING

#### 1. Equal Opportunity for Housing:

(a) Throughout its entire life NHC has been committed to equal opportunity for all American families to secure good housing in good neighborhoods. It again reaffirms this position. Equal opportunity in housing is now the law of the land—both by statute and by court decree. Yet this opportunity in housing is still denied to millions of American families throughout every section of the land because of their race, color, creed or national origin, or because of the myth which exists as to their desire, or ability to pay for and maintain good homes. To overcome this denial of opportunity and to dissipate these myths, an urgent task is facing the nation.

(b) NHC has long supported the principle of a competitive housing market open to free bargaining by all American families without regard to racial or ethnic background. Many localities have been limited in achieving this objective, however, because of inadequate supplies of low and moderate cost living accommodations and by the congestion of many minority group families in limited sections of the community. To provide an adequate supply of housing, it is necessary to raise production to a minimum of 3,000,000 dwelling units per year.

(c) We urge the President and the Congress of the U.S. to take all steps toward providing an equal opportunity for housing. This includes full and adequate appropriations for the administration of the fair housing program under Title VIII of the Civil Rights Act of 1968. Of the \$8 million requested by the President for fiscal year 1969, Congress only appropriated \$2 million for such expenses of administration. \$6 million has been appropriated for Fair Housing and Equal Opportunity for fiscal years 1970 and 1971. We strongly urge the larger appropriations required for achieving equal opportunity for all American families to secure good housing in good neighborhoods. We urge the Administration to take all necessary additional actions to achieve this equal opportunity objective. Strong affirmative measures should be taken to enforce the fair housing rights contained in Title VIII.

(d) We should provide an opportunity for freedom of choice in our housing programs. The choice of individual or cooperative homeownership or rental housing and the choice of city, suburban, new town or country living must not be limited by race, color, or religion.

#### 2. Relocation:

(a) When homeowners or tenants are being displaced for urban renewal or other government action, there should be a Federal grant to provide adequate payments as equitable compensation not only to pay their moving expenses, but also to help them obtain decent homes elsewhere. In the case of a displaced home owner the amount of the payment should be sufficient to enable him to obtain adequate housing, without limiting such payment to \$5,000 as is now provided in the Housing Act of 1968.

(b) When a small business is being displaced through urban renewal or other governmental action, affirmative action should be taken to assist its relocation either within the urban renewal area or elsewhere. If it is to be relocated within the urban renewal area, there should be a policy to establish a rental for the small business which it can afford. In order to achieve this, an appropriate write-down should be made in the disposition of property under the urban renewal program. While it is recognized that there are allowances under the present legislation to cover the cost of relocation by a business which is displaced through urban renewal, we recommend this additional action to better assure the continuance of a small business that is being displaced. NHC also recommends the full implementation and use of the 1965 amendments to the Small Business Act for businesses which are being displaced by urban renewal or other governmental actions.

(c) NHC supports the Uniform Relocation Assistance and Land Acquisition Act, H.R. 14898, which provides for uniform requirements and Federal assistance to displaced families and individuals and business establishments. However, NHC suggests that the bill be amended, with respect to family and individual displacement and relocation, to incorporate comparable provisions contained in Section 210 of the Housing and Urban Development Act of 1969, namely, that within the jurisdiction of the renewal agency there shall be an equal replacement of housing units for those demolished or removed. Pending the passage of the new Uniform Relocation Assistance and Land Acquisition Act, administrative action should be taken to eliminate conflicting procedures and requirements that now exist—and establish uniform and equitable requirements—in the urban renewal program, model cities program and highway program.

(d) NHC applauds Secretary of Transportation Volpe's declaration that no Federal aid will be approved for construction of highway, airport or mass transit projects until adequate replacement housing is provided for all families to be displaced. The new Replacement Housing Policy contains the following provisions:

- (1) Specific written assurance that adequate replacement housing will be available (built, if necessary) before the initial approval or endorsement of any project.
- (2) Construction will be authorized only upon verification that replacement housing is in place and has been made available to all affected persons.
- (3) All replacement housing must be fair housing—open to all persons regardless of race, color, religion, sex or national origin. In addition, all replacement housing must be offered all affected persons regardless of their race, color, religion, sex or national origin.

NHC also commends the General Services Administration for its announcement of a similar policy requiring assurances of the availability of adequate housing before new Federal buildings are located in any area.

(e) NHC deplors the recent HUD discrimination against relocation payments to displaced persons who seek new homes in cooperatives. Neither Section 516 of the Housing Act of 1968 nor the regulations promulgated preclude replacement housing payments to those seeking replacement housing in cooperatives. However, in a circular, HUD states that such payments may not be made to a displaced person moving into a cooperative. This discriminatory action should be stopped. NHC recommends that HUD should make replacement housing payments to displaced homeowners who seek to purchase a home in a cooperative.

(f) NHC applauds the passage of Section 510 of the Highway Act of 1970 which allows the Secretary of DOT to include in the cost of a highway project expenses for providing new housing or used or rehabilitated housing for those persons displaced by that highway project. We urge that DOT carry out this mandate and allow adequate amounts for such housing as part of the costs and expenses of all future highway projects. Such housing should conform to sound standards and should have prices and monthly charges within the reach of the displaced persons.

#### 3. Uniform System for Computation of Income by HUD:

(a) HUD should have a uniform system for computing incomes which could be used by all constituent agencies administering housing programs which involve income limits. To be equitable, income limits should allow appropriate deductions and exemptions like those long recognized and utilized in the public housing program. The Senate Committee on Banking and Currency recognized the appropriateness of such uniformity in its Report on the 1968 Housing Act:

"Although the statute is silent on defining income, the committee is aware of the necessity for the Secretary to establish procedures to assure that fair standards and rules are followed within HUD for determining income (after allowable deductions) for eligibility of low or moderate income families or mortgagors under HUD's various programs. These procedures would apply to those who receive the benefit of subsidies or below-market interest rates to enable them to obtain occupancy, homeownership, or cooperative housing membership."

(b) At the present time, the methods of computing income differ in HUD, although the constituent agencies are administering comparable housing programs involving income limits. For years, public housing has allowed appropriate deductions or exemptions in computing the family income, such as:

- (1) Deduction of \$600 from the income of a secondary wage earner thereby recognizing that there is at least this amount of additional expenses in earning such wages, so the earnings do not represent a full increment to family income;
- (2) Deductions for expenses for the care of children or sick or incapacitated family members when these expenses are necessary to permit the wage earner to be employed;
- (3) Deductions for social taxes and compulsory pension funds; and
- (4) Deductions for minors or dependent adults.

(c) Although these deductions or exemptions are allowed in the public housing program, they are not recognized uniformly in the FHA program involving rent supplements or below-market interest rates under Section 21(d)(3) or interest assistance payments under Sections 235 and 236. In the interest assistance programs the 1968 Housing Act provides for the deduction from family income of \$300 for each minor child and the elimination of the earnings of all minor children. Pursuant to the Congressional intent as evidenced by the foregoing quotation from the Senate Committee Report, FHA has allowed a further deduction of 5% of gross income to cover

payroll deductions for social security and compulsory pension funds. However, FHA has not allowed other deductions of the type which have been long recognized in public housing. FHA should allow such deductions, particularly since the income limits in the interest assistance programs are now computed as a percentage of the local public housing limits.

4. *Rehabilitation in Slum Areas Not Intended as Containment Program.* Rehabilitation programs for slum areas are not intended to be containment programs which would restrict present residents so that they must continue to live there. They should have an opportunity to move into other areas. The NHC goals contemplate development of new and rehabilitated housing in other areas which would be available for the low and moderate income families now living in slum and ghetto areas. To help assure achievement of this objective, we recommend enactment of legislation providing that no program of subsidy, aid, or assistance by any agency of HUD—including sewer and water facility grants, open space grants, community facilities grants, urban renewal programs, model cities programs, mass transit grants, and FHA insurance—may be carried on within any jurisdiction if a reasonable share of housing will not be available for low and moderate income families. Such legislation would help assure the development of balanced programs of housing in new areas into which the residents of slum and ghetto areas could move.

5. *Adequacy of Housing and Neighborhood for Low and Moderate Income Families.* Federally-assisted housing should provide adequate space and facilities and meet proper standards for comfortable living. The housing should be in a suitable neighborhood. In this way, we can improve the quality of life in Federally-assisted housing as prescribed in the 1968 Housing Act. The following are among the measures necessary to achieve these objectives:

(a) Better design standards in housing developments.

(b) Dwelling units which provide adequate space and amenities rather than minimum space and facilities.

(c) More housing units of larger size, with more bedrooms and bathrooms, in order to meet the needs of larger families.

(d) Adequate recreational and community facilities with swimming pools, day-care and pre-school centers, all designed to create good neighborhoods.

(e) Air conditioning whenever appropriate, which will encourage families and their children to remain in their dwellings and off the streets during hot summers.

Housing communities should be pleasant places to live. They should respond to the needs of the residents, with attention to their comfort, convenience, and recreation. By providing children and adults with good homes and with opportunities to engage in wholesome and constructive activities, we can create better communities and reduce juvenile delinquency and crime. With Federally-assisted housing that conforms to the foregoing criteria, we can achieve economic integration, both through initial occupancy and through the upward mobility and continued occupancy of families whose incomes increase.

6. *Uniform System of Tax Exemption and Tax Abatement:*

(a) In some HUD programs there is no requirement for real estate tax exemption or tax abatement. This is true in the new leasing program for the use of privately-owned housing for public housing purposes. It is also true in the rent supplement program for those of public housing incomes. Yet, conventional public housing projects are required to have tax exemptions and they pay only 10% of shelter rent in lieu of taxes. We previously recommended that conventional

public housing projects conform with those other publicly-assisted programs which serve low-income families. This would be accomplished by permitting their payment in lieu of taxes to be equivalent to full taxes.

(b) There should be a more practical and consistent policy concerning the requirement for tax abatement on privately-owned projects which are Federally-assisted either with (i) below-market-interest rates, (ii) interest assistance, (iii) rent supplements, or (iv) leasing programs under public housing. Tax abatement should not be required on these projects, even as a means of offsetting the higher costs that prevail in some cities. Such tax abatement is often unavailable because of restrictions in state and local laws; moreover, the cities often face serious problems of inadequate tax revenues and are unwilling to grant tax abatement. Cost limits should be made realistic so that these private housing programs can function in high cost areas without requiring tax abatement.

(c) Where state and local governments grant tax abatements on housing projects which are Federally-assisted in the manner described above, there should be an annual Federal grant to reimburse them for their tax losses.

7. *Disposition of Federally-Owned Housing Projects:*

(a) FHA has acquired ownership of rental housing projects upon which defaults have occurred. When requested, FHA should either lease these projects to local housing authorities for public housing or make negotiated sales of these projects for cooperative ownership by low income or moderate income families. Also, sales may be made to public agencies or nonprofit or other property motivated organizations which will use them to provide housing for low or moderate income groups. The housing should be sold at a price and with a mortgage term and interest rate—on the purchase money mortgage accepted by FHA—which would enable the property to serve these income groups at monthly charges which they can afford. When necessary, financing should be made available to rehabilitate these properties. Such properties should be eligible for rent supplements and interest assistance payments. These recommendations also apply to other federally-owned housing.

(b) FHA has also acquired ownership of single-family homes on which defaults have occurred. In the disposition of this housing, FHA should meet the needs of those of low and moderate incomes. The housing should be sold to them at a price and with a mortgage term and interest rate—on the purchase-money mortgage accepted by FHA—which would be within the financial reach of the low and moderate income purchasers. Priorities should be established for sales which would accomplish this purpose, rather than granting priority to cash sales or sales involving conventional loans, as these generally involve purchasers with incomes above those at the low and moderate level. Legislation should be enacted if it is necessary to establish disposition policies in accordance with the foregoing principles.

8. *Block Grants for Categorical Grant Programs.* With respect to the President's proposed special revenue sharing program, NHC believes that Federal grants should provide incentives to promote national programs and objectives relating to housing and community development. We are deeply concerned that many of these programs would be prejudiced by the proposed consolidation of four categorical grant programs—urban renewal, model cities, sewer and water, and rehabilitation—into one community development grant program. Therefore, we favor continuance of these categorical grant programs; however, we are in full agreement with the President's principle that Federal grants should be made available for use by states and local govern-

ments without Federal accountability or program supervision, except for (1) compliance with non-discrimination obligations and (2) the use of the funds for the specific purposes of each of these four categorical grants. In short, there should be block grants for these and other categorical grant programs which are limited only to the particular purpose of each grant and fulfillment of civil rights obligations.

9. *Acceptance and Accumulation of Applications for Programs.* HUD has discouraged the submission of new applications in programs where a backlog of unsatisfied applications exists. NHC is strongly opposed to this discouragement of applications for HUD assistance. Even when there is an unsatisfied backlog of applications, HUD should continue to accept applications. There is no better way by which HUD can learn the needs and demands for programs which it administers, so that it can document and support requests for necessary Congressional authorizations and appropriations.

10. *Construction Work and Employment in Ghetto Areas.* Increased construction volume will require substantial increases in the work force. The large pool of untrained unemployed within the ghetto is a large source of additional manpower. There should, therefore, be an effective program to accelerate the training of unskilled groups and to broaden their opportunities for employment in the construction industry. NHC recommends an adequate expansion of the training program of the Manpower and Training Administration of the Department of Labor, together with the full amounts needed as appropriations. We commend the Outreach Program of the building and construction trade unions which has enlisted thousands of disadvantaged and minority workers in skill training in their trades in 53 cities. We urge further extension of these training opportunities for such workers to advance toward skilled employment.

NHC endorses the provisions in the 1968 Housing Act which direct the Secretary of HUD to require:

(a) That opportunities for training and employment arising in connection with the planning, construction, rehabilitation, and operation of housing be given to lower income persons residing in the area of the housing; and

(b) That to the greatest feasible extent contracts for work pursuant to the housing programs shall, where appropriate, be awarded to business concerns located in or owned in substantial part by persons residing in the area of the housing. If bonding is not available to such contractors or subcontractors, HUD should take necessary actions to enable them to obtain adequate bonds. HUD should initiate a program which would assure the availability of bonds to such contractors, with necessary underwritings or re-insurance as is now authorized to enable persons to get other types of insurance in high-risk areas where such insurance would otherwise be unavailable.

In the foregoing programs, we recommend that bids be invited from local contractors which have the participation of minority groups either in an ownership, executive management or direction capacity. In housing construction where the contractor or sponsor incurs additional costs because of utilization of untrained workers from ghetto areas, the additional cost should be recognized as a public cost, with reimbursement therefor by the Manpower and Training Administration.

In the 1969 Housing Act, there is an extension of these requirements to cover all HUD programs providing financial assistance in aid of housing, urban planning, development, redevelopment, public or community facilities and new community development. Section 3 of the Housing and Urban Develop-

ment Act of 1968 is amended to require the Secretary of Housing and Urban Development, in the administration of programs providing direct financial assistance in aid of housing, urban planning, development, redevelopment, public or community facilities, and new community development to require (1) that to the greatest feasible extent opportunities for training and employment arising in connection with the planning and carrying out of projects assisted under such programs be given to lower income persons residing in the project area, and (2) that to the extent feasible, contracts for work to be performed in connection with any such projects be awarded to business concerns which are located in or owned in substantial part by persons residing in the area of the project. Prior to this amendment, these employment and work opportunity requirements were only applicable to the administration of the Section 235 homeownership program, the Section 236 rental assistance program, the Section 221(d) (3) below-market-interest-rate program, public housing, and the rent supplement program. NHC recommends administrative or legislative action to define the "project area" as the metropolitan area in which the project is located.

11. *Surety Bond Guarantees.* The Housing and Urban Development Act of 1970 amends Title IV of the Small Business Investment Act of 1958 by increasing the revolving fund of Title IV from \$5 million to \$10 million and adds a new provision establishing a program whereby SBA and HUD can guarantee any surety up to 90% of its loss as a result of the breach of the terms of a bid bond, payment bond, or performance bond on account of a contract up to \$500,000. NHC urges that the Secretary of HUD and the Administrator of SBA carry out the full intent of this provision and take all steps necessary to provide technical assistance to any contractor or subcontractor for whom a bond is guaranteed under this provision. However, NHC recommends that the law be amended to remove the \$500,000 limit on bonds and to allow a bond to be in such amount as HUD requires on the project involved.

#### 12. *Support for International Programs for Housing:*

(a) NHC is aware of the critical housing problems elsewhere in the world, particularly in the developing countries. We urge continuation and expansion of our Government's foreign aid programs for housing in the developing countries, particularly cooperative housing to provide ownership by moderate income families as contemplated by the Foreign Assistance Act.

(b) Further, we urge our Government to support efforts: (1) to elevate the importance of housing in the economic development process by supporting efforts to establish, within the framework of the United Nations, a specialized international agency dedicated to solving the housing problems of the developing countries; (2) to increase U.S. financial support to U.S. universities and other institutions for research and training programs to help solve these housing problems and supply the trained personnel so badly needed.

(c) NHC recommends enlargement of the investment guaranty program for housing by increasing the available guaranty authority and by extending the 100% guaranties to other appropriate areas besides Latin America. We recommend legislation providing for the encouragement of cooperative and other homeownership by low and moderate income families in the cooperating countries and for the utilization of financing assistance of the types which have been proven effective in our domestic programs, particularly the establishment of national savings and credit systems specializing in housing and related fields.

(d) NHC supports the proposal for the creation of an International Housing Finance Corporation, which would be associated with the World Bank or the United Nations Development Program, to facilitate the mobilization of capital and the development of housing programs, particularly in the newly developing countries.

#### 13. *Appropriation Authorizations:*

(a) NHC strongly recommends Congressional appropriations of adequate amounts for the administration of all HUD programs, including the additional funds which are required for additional staff to administer the many new programs contained in the 1968 and 1969 Housing Acts. These funds are urgently needed to meet the critical problems of our urban areas and the shortage of adequate housing for persons of low and moderate incomes. We further recommend all of the additional appropriations described elsewhere in this report.

(b) Advance appropriations provide lead time for initiating and planning programs in all authorizations in appropriation bills providing contract authority or funds. The authorizations should cover the succeeding fiscal year in addition to the fiscal year involved in the appropriation act. Appropriation acts have previously adopted this practice for the urban renewal and mass transit programs. It is equally necessary that this be done in all other programs involving private enterprise as well as public agencies, and we are pleased that President Nixon has made such a recommendation for advance authorizations on the Sections 235, 236 and rent supplement programs. The same practice should be followed in all other housing and urban development programs. This will give more lead time for the planning and initiation of programs. Such a practice in the housing program will help avoid the past difficulties experienced as a result of uncertainties and delays in providing funds and commitments. Through advance authorizations for two fiscal years, there will be an uninterrupted flow of funds and commitments at an early enough time to permit advance planning and work in the initiation of housing programs. We deplore the action taken by the President in discontinuing requests for advance appropriations for the succeeding fiscal year on programs where this practice was previously established such as urban renewal.

14. *Workable Program.* In order to remove impediments to construction of low and moderate income housing, NHC recommends repeal of the requirement for a workable program or local government approval of projects receiving Federal assistance. However, in localities without a workable program, the Secretary of HUD must first be satisfied that: (i) there is a need for the project; and (ii) its location will provide a satisfactory residential environment. The 1969 Act accepts this recommendation on several programs.

15. *Preparation for Post-Viet Nam Period.* In preparation for the termination of hostilities in Viet Nam, NHC recommends that we be ready to provide for the necessary expansion of peacetime development in order to assure steady employment for those formerly in jobs supporting our forces in Viet Nam. This should include the long-delayed construction of housing and urban development, together with the production of all materials and equipment required therein. It should also include plans for the use of abandoned defense housing or other installations. In the post Viet Nam period, we should fulfill the housing needs of those families for which the national goal has not become a reality. This would implement the highest priority and emphasis established for this program in the Housing Act of 1968.

16. *Recommended Change in Budget Concepts Concerning Mortgage Purchases:* (a) NHC does not believe in the new concept of

the Federal Budget which initially reflects expenditures for mortgage purchase in the same way as it reflects expenditures for grants, even though collections on mortgages are later credited as offsetting income. If several billion dollars of mortgages are purchased and retained by a government agency, all of this initially appears as an expenditure in the Budget during the fiscal year when the mortgages are purchased. This has an adverse effect on many public interest and social programs which are dependent upon the steady flow of mortgage financing at reasonable interest rates. The Budget should reflect only the actual cost to the Government of purchasing and holding these mortgages—this would be the differential in interest between the rate of the mortgages held by the Government and the rate on Government borrowings.

(b) If the present Budget concepts are retained which initially treat mortgage purchases as an expenditure in its entirety, NHC believes that there should be active encouragement of the sale to private investors of participations in mortgages held by GNMA or other Government agencies. Upon such sales, the funds realized can and should be offset against the expenditures for the purchase of the mortgages.

17. *Availability of Land and Support of S. 609.* NHC recommends such measures as are necessary to help assure the availability of enough land, at reasonable cost, to achieve our housing goals. These should include the establishment of appropriate reserves of land for future use to provide the housing, public facilities and recreational areas required to meet these goals. To this end, NHC urges passage of S. 609, the Urban Planning and Housing Assistance Act of 1971, introduced by Senator Javits.

18. *Increases in Housing Costs.* We deplore the inflationary rise in housing costs, particularly the spiralling increases in interest rates and prices of building materials such as lumber. It is urgent that action be taken to achieve a reasonable and stable level of interest rates and housing costs. When interest rates and housing costs increase, many people who need homes can no longer afford them—even though they could have afforded them previously when the interest rates and housing costs were at more reasonable levels. NHC strongly recommends that necessary measures be taken to stop these inflationary increases in interest rates and housing costs which adversely affect the consumer and jeopardize achievement of the housing goals established by Congress and the higher goals recommended in this report.

19. *Insurance for Ghetto Areas.* NHC recommends that when a home is purchased in a ghetto area and the mortgage is FHA-insured, necessary federal action should be taken to assure that the home owner obtains all hazard insurance required for his protection. Likewise, on cooperative housing in ghetto or central city areas, federal action is needed to assure the availability of hazard insurance at reasonable costs which reflect the lower losses and risks on such cooperative housing.

20. *Private Investment in Lower Income Housing.* NHC urges the participation of private investors in programs to provide housing for low and moderate income families. NHC recognizes that the tax savings which result from current rules of accelerated depreciation on improved real property are essential to insure the continued flow of such equity funds into investment in low and moderate income housing. NHC opposes any change in such rules which would reduce the already too-low return from investments in housing for families of low and moderate income.

21. *Reduction of Monthly Mortgage Payments.* With past increases in interest rates, people have been excluded from the housing market who needed dwellings but could no

longer afford them at the higher interest rates. Elsewhere in this report, NHC recommends measures to increase the flow of funds into the housing mortgage market and to make mortgage financing available at more reasonable interest rates. We are pleased that HUD has taken action to reduce the interest rates; also to reduce the monthly debt service on mortgages by providing for level amortization payments instead of the higher initial curtailments of principal which were applicable to certain mortgage insurance programs—e.g., those under Sections 220, 221(d)(4) and 207. By reducing the debt service payments, the level amortization plan will reduce the monthly charges to the consumer and help offset the current high interest rates.

#### 22. Housing for Indians:

(a) Low and moderate income Indian families living on Reservations have long been denied the benefits of FHA-insured homeownership. Such Indian families have not been able to obtain FHA-insured financing on individual homes. Also, it is difficult for them to obtain FHA-insured multifamily housing, such as nonprofit rental housing and cooperative housing under Section 221(d)(3) or Section 236.

(b) There is a great need and market for FHA-insured homes on the Reservations. Many Reservations are now undergoing economic improvement, through increased mineral development and the location there of factories and other sources of employment. Special efforts are needed to bring to the Indians the benefits of programs intended to serve people of low and moderate incomes.

(c) NHC supports legislation to extend housing assistance available through the Farmers Home Administration to Indians who lease rural non-farm land from their tribe for use only as a homestead. Similar authority now exists where farm land is leased.

(d) NHC recommends that the rehabilitation grant program under Section 115 be extended to include Indian Reservations; and that grant procedures be revised to make the program available to low income rural families of Indians so they can renovate and repair existing housing.

23. *Payment of Prevailing Wages.* In programs involving FHA mortgage insurance on multifamily housing where payment of prevailing wages is now required by law, such prevailing wages shall be established and paid based upon the requirements of the Davis-Bacon Act relating to such housing construction in the area.

#### 24. Study of New Type of Mortgage Security to Attract Investments:

(a) Some financial experts have proposed the creation of a new type of mortgage or investment security which would better attract money for fixed long-term investments in housing. They point out that many lenders have withdrawn from the residential mortgage market because:

(1) They anticipate that the dollars repaid on the loan will have a substantially lower value and purchasing power than the dollars loaned initially; and

(2) The amount of return is not attractive as compared with other rates of return available in the current market.

(b) We propose that a study be made of this problem so that recommendations can be made at a later date concerning the advisability of including provisions in mortgages or other housing securities which would meet this problem and attract necessary funds for investments in housing production. Among the measures to be explored are the following:

(1) A clause in the mortgage providing for adjustments yearly only on the amount of principal which is to be repaid, so that it reflects reductions in the value and purchasing power of the dollar as shown by the Department of Labor price index; or

(2) A clause in the mortgage providing

for adjustments yearly in the amount of the monthly payments for both principal and interest based upon changes in the price index; or

(3) A clause in the mortgage providing for adjustments yearly only in the rate of interest which is to be paid on the unpaid balance of principal, so that it reflects changes in the prevailing interest rates or price levels from year to year.

Any adjustment clauses must take into account the ability to pay for the occupants of the housing. While most people will enjoy an increase in their income to reflect increases in the price indexes so that they can afford to pay adjusted amounts on their mortgages, there will be people who have fixed incomes. In their cases, special provisions must be developed to assure that they can afford to make the adjusted payments, such as through an extension of the mortgage term.

(c) In Latin American countries, some systems have been devised for adjustments in mortgage payments which have worked satisfactorily. However, inflationary conditions have been so great in those countries that mortgage adjustments were essential to obtain long-term loans to finance housing production. The proposed study should ascertain whether we need a system of adjustments in mortgage payments in this country taking into account present and future anticipated changes in the value of the dollar and its purchasing power.

#### CHAPTER HH. NEED FOR EFFECTIVE INSTITUTIONS, ADMINISTRATION AND FEDERAL-LOCAL RELATIONS

In itself, the enactment of adequate legislation will not achieve the goals set forth in these recommendations; nor will it meet the needs of the American people or the crises in our cities. Laws are not self-executing. It is necessary to assure the establishment of effective institutions, administration, and federal-local relations. NHC recommends that HUD take the following actions to assure the effective execution of laws relating to the programs under HUD's jurisdiction:

1. HUD should redefine its role to concentrate on major policies and on constructive leadership in executing federal laws and to grant greater local autonomy to local governments and agencies in undertaking and operating projects involving HUD aid. NHC believes this HUD role would constitute creative federalism. The expenditure of federal monies should be subject to broad federal guidelines. Through the years, there has been a continuing increase in the burden and detail of HUD controls over local operations in the conduct of HUD-aided programs. All HUD controls should be eliminated which are not required by federal law. We will never achieve the volume and expedition required in programs authorized by the Congress unless there is a decentralization of responsibility to the local agencies involved. The local agencies can properly be held to account for their responsibilities under programs. There is no reason to assume that there is any less integrity and competence in local officials than in federal officials.

2. As to matters involving public agencies or others which now require prior HUD administrative approval, HUD should expedite programs by waiving such prior approval in cases where the public agencies or others will certify and proclaim that they have complied with all of the enumerated administrative requirements of HUD. Upon such certification covering all applicable administrative requirements, the public agencies or others should be allowed to proceed with their program, subject to post audit by HUD that the public agencies or others have conformed with their certifications.

3. HUD should accelerate processing, production and decision-making by federal and local officials and by participants in all HUD

programs, including the establishment of time schedules for all actions required. There should be a time limit for submission of applications. However, qualified applications should not be rejected because of technical or insubstantial reasons, lack of money or lack of a priority status according to a schedule established by HUD; likewise, applications should not be rejected in order to remove them from the pending work load.

4. After applications have been approved and allocations made, there shall be a time limit for contracting and execution. With respect to requirements for HUD approval after a contract or commitment is issued, there should be a recognition that HUD has a certain period within which to act; and, failing such action on matters requiring HUD's approval, the proposal to HUD shall thereby be accepted and considered approved.

5. HUD should act promptly in making allocations and commitments of all authorizations and funds made available by Congress. Such allocations and commitments should be based upon:

(a) The requests that are received within a designated time which meet the applicable statutory requirements; and

(b) The respective needs for the communities involved. There should be no impounding or hold back of funds. The money should be allocated and committed as quickly as possible. All monies should be made available based upon the qualified requests that are received within a prescribed time limit. The guideline should be the need for the program in the community involved.

6. HUD should simplify its regulations and conditions attached to HUD aid and eliminate the detailed controls over project development and operations. Such controls are overly burdensome, costly, and time-consuming. They discourage initiative and innovation. They are inconsistent with the achievement of the goals established by law and the larger goals recommended in this report.

7. HUD should eliminate conflicting policies and requirements among its different units, as applied to comparable programs. For example, the methods of determining incomes under the public housing program are different from those under the rent supplement, interest assistance and below-market-interest-rate programs.

8. Civic organizations and citizens' councils have an appropriate role in furnishing advice and recommendations. Where a municipal government has been established whose officials are elected by the voters, the elected officials, should give full consideration to the advice and recommendations of such citizens organizations; however, the final responsibility for decisions should properly reside in the elected officials on such programs as urban renewal, model cities, and neighborhood rehabilitation. Otherwise, there will be a division of responsibility which will seriously impede the progress of these programs that are vitally important to the community.

9. To help achieve the housing goals and enlist all available resources, HUD should encourage full participation in its programs by cooperatives and other non-profit organizations and local public agencies, in addition to limited-dividend sponsors and builders.

10. HUD should consult with representative groups of local public agencies and private participants in each of its programs to identify problems which impede their progress and to develop workable solutions. For this purpose HUD should establish:

(a) A federal-local committee on public housing and urban renewal; such a committee functioned effectively for years until it was discontinued.

(b) A federal-city committee on the model cities program.

(c) Like committees of representatives

from the participants in each program; thus, there should be a restoration of the committee of representatives of cooperatives participating in FHA programs.

Each such committee would meet periodically to give HUD first-hand experience concerning the operations of the HUD-aided program involved. Such consultation should result in quick and realistic action in eliminating obstacles and solving problems. Otherwise, such obstacles and problems are long neglected, often because they are not known or because HUD does not get proposals for solutions from those directly engaged in the program.

11. (a) Many of our recommendations in these Resolutions cover areas of administration on which HUD is required to report to the Committees, pursuant to the following provisions in the 1968 Housing Act:

"Each such report shall include, but not be limited to, the following areas of program administration and management: uniformity and standardization in program requirements, simplification of program procedures, ways and means of expediting consideration of proposed projects and applications for assistance, the provision of more useful and specific assistance to communities, organizations, and individuals seeking to utilize the Department's programs, and ways and means of combining or otherwise adapting the Department's programs to increase their usefulness in meeting the individual needs of applicants."

(b) We urge HUD to take the actions recommended in these Resolutions relating to areas of program administration and management which require improvement and to report thereon to the Banking and Currency Committees.

12. Many of our recommendations in this Chapter would be accomplished by the adoption of the new principle urged by the President that Federal grants should be made available for use by states and local governments without federal accountability or program supervision, except for (1) compliance with nondiscrimination obligations and (2) the use of the funds for the specific purposes of each of these four categorical grants. We endorse this recommendation of the President that such Federal assistance to public agencies should be block grants limited only to assuring expenditures for the particular purpose of each grant and compliance with civil rights requirements, but excluding Federal program supervision. In his special message on March 5, 1971, the President reaffirmed this recommendation in the following statement which we fully support: "... we must avoid . . . confusing national interest with Federal control. We have too easily assumed that because the Federal Government has a stake in meeting a certain problem and because it wants to play a role in attacking that problem, it therefore must direct all the details of the attack. The genius of the Federal system is that it offers a way of combining local energy and local adaptability with national resources and national goals. We should take full advantage of that capacity as we address the urban challenge."

#### TRIBUTE

The following was adopted by the membership of the National Housing Conference at its 40th Annual Meeting on March 7, 1971:

"IN TRIBUTE TO REPRESENTATIVE WILLIAM B. WIDNALL

"The National Housing Conference honors Congressman Widnall for 21 years of devoted and statesmanlike service in the House of Representatives and for his major contributions to effective housing and community development legislation.

"Early in his Congressional career, Congressman Widnall took the initiative in the eventual establishment of the Housing Sub-

committee. As the ranking minority member of that subcommittee and of the full Banking and Currency Committee, he has participated in all the major housing legislation emanating from those committees for many years. In particular, the significant housing leasing program, rehabilitation loans, and mass transit bear his personal imprint. Most recently, he played a major role in the enactment of the national urban growth program in the Housing and Urban Development Act of 1970. As a constructive critic, his wise counsel has brought improvements in ongoing programs in the public interest.

"In honoring Congressman Widnall for his distinguished career, we look forward to his continuing leadership in the years ahead."

#### OBITUARIES—1971

Assembled for their 40th annual meeting on March 7, 1971, members of the National Housing Conference adopted the statements that follow, honoring four members whose careers in housing, urban renewal and related fields were ended by death during the year just passed. Their lives were dedicated to the achievement of social and economic justice for all people, everywhere. They helped draft blueprints for national action which, if fully implemented, would have helped avert the urban crisis that is threatening our democratic structures today. Their leadership is sorely missed, but their plans for action shall live on so long as the battle for equal opportunity, justice and human dignity continues.

#### HARRY W. LAIDLER, PH. D.

Fifty years ago, in 1921, Dr. Harry Laidler, a young, brilliant economic scholar, teamed with Norman Thomas and other post World War I activists, in forming the League for Industrial Democracy, which he served as Executive Director for thirty-six years. In 1957 he retired to become Executive Director Emeritus. In 1931, with Mary Simkovich, Eleanor Roosevelt, Charles Abrams, Helen Alfred, Herbert Lehman and others, Harry Laidler was a founder of the National Housing Conference, formed for the purpose of carrying on a war against slum conditions and for the provision of low-rent housing for the poor. It was to be a lobby in the public interest. He was a working member of its Board of Directors until his death.

Harry Laidler received his PhD in Economics from Columbia University, and lectured on economics at New York University, the City College of New York and Brooklyn College, and on college campuses throughout the entire country. As author of many books dealing with America's economic injustices of the 1920s and of their social consequences in the 1930s, Harry Laidler helped arouse the conscience of the American people. In 1940 and 1941 he served as a member of the New York City Council, as an ally of the late great reform Mayor Fiorello LaGuardia.

Members of the National Housing Conference note the passing of Dr. Laidler, by resolving unanimously to continue the organization he helped to found, in the same spirit of dedication and public service that caused him and his associates to create the National Housing Conference forty years ago.

#### WALTER P. REUTHER

At its June, 1970 meeting in Denver, Colorado the Board of Directors of the National Housing Conference adopted a resolution in memory of Walter P. Reuther, a Board member and Vice President for a quarter of a century, whose tragic death, with that of Mrs. Reuther, stunned and saddened both the nation and the world. The entire membership of the Conference re-expresses a deep sense of loss at its annual meeting on March 7, 1971, in the following words:

"Be it resolved that the membership of the National Housing Conference join all

people everywhere, who care about human dignity, self respect, and progress, in expressing a sense of personal loss on the tragic death of their fellow member, Walter P. Reuther.

"Every American is morally, spiritually and economically richer today, because Walter Reuther devoted his life to the achievement of social, economic and legal justice. He fought injustice wherever and whenever it occurred. Those whose needs he championed are legion. They trusted him absolutely, and loved him as a person.

"The National Housing Conference has been a positive force in helping to create good housing in sound neighborhoods throughout America, because Walter Reuther and others with similar convictions have willed it so. In 1946 the effectiveness of the National Housing Conference was threatened by some who attempted to divert its efforts to their own purposes. Walter Reuther's leadership helped save the integrity of the Conference then, as it has on numerous occasions since. Our debt to him can be repaid only as we continue in the tradition of his fighting leadership to achieve good housing in sound neighborhoods for all Americans."

#### HERBERT EMMERICH

Herbert Emmerich, commissioner of the Federal Public Housing Authority during the critical years of World War II, died on September 7 in Charlottesville, Virginia, where he had been serving on the political science faculty of the University of Virginia since 1963. He was a member of the National Housing Conference for 30 years, and was instrumental in the founding of the National Association of Housing and Redevelopment Officials.

Herbert Emmerich was a genuine housing pioneer, serving as Executive Vice-President of the City Housing Corporation, where under his direction, beginning in 1924, the corporation planned, built and administered two "garden cities" in the New York area: Sunnyside Gardens and Radburn, New Jersey. The site planning and building designs tested in these "cities" have become classic examples for multi-unit housing developments, that unfortunately have seldom been duplicated.

Herbert Emmerich contributed much toward making public administration a profession. For many years he was associate director of the Public Administration Clearing House, in Chicago, serving under and learning from the unparalleled Louis Brownlow. In the early 40s he was drafted to Washington to help unravel war production problems, and from there was assigned by the President to consolidate all war housing programs under the Federal Public Housing Authority. The result of that effort, through enlisting the capabilities of local housing authorities throughout the nation, was characterized as one of the most daring and successful programs ever undertaken by the United States. In 1944 he returned to the Public Administration Clearing House as its director, from which he retired in 1956 to the quieter life at the University of Virginia.

Herbert Emmerich left a lasting mark on America's housing program, and members of the National Housing Conference will be forever grateful for his participation in our councils.

#### MORRIS P. MILLER

When Chief Judge Morris P. Miller of the Juvenile Court of the District of Columbia died suddenly last May, the Capitol City, the nation, and particularly the country's young people who needed a friend at court, mourned the loss of a great jurist and an understanding human being.

Relatively few people recalled that with the death of "Chick" Miller, low rent public housing lost one of its earliest pioneers, one of its legal architects with David L. Krooth and Leon Keyserling, and the lawyer

who made it legally possible to reorganize the National Housing Conference from a New York State oriented organization, to a national group with Washington headquarters in 1944.

In the early 1930s Judge Miller came to Washington from his native St. Louis, as a member of the legal staff of the newly created Public Works Administration under Secretary of Interior Harold Ickes. He was assigned to the original housing division, participated in writing the United States Housing Act of 1937, creating the low-rent public housing program, and was Assistant General Counsel after the formation of the United States Housing Authority in 1938. He served in that capacity until 1942, when he entered the private practice of law. This was interrupted by service as an officer of the Coast Guard during World War II. Following discharge he returned to the practice of law and was a partner of the late Scott Lucas, former United States Senator and Senate Majority leader from Illinois. He left a lucrative law practice to accept appointment as Chief Judge of the Juvenile Court, where he carved out a third distinguished career.

Judge Miller often said that his heart never really left his "housing days". His influence in the creation of original housing policy through legislation, and his legal interpretations that made it possible for programs to function, were a contribution that cannot be destroyed. Chick Miller always asked: "What do you want to accomplish, so that I can help make it legal". He is sorely missed.

#### FEDERAL SPENDING

### HON. JOSEPH M. GAYDOS

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, April 7, 1971

Mr. GAYDOS. Mr. Speaker, the Federal Government often is accused of being penny wise and pound foolish, and the accusation is not without merit. Its actions in fiscal matters often baffle the American public, to say the least. On many occasions, Uncle Sam has issued solemn declarations of war against wasteful spending and outlined detailed battle plans to combat it. He has warned the taxpayers to prepare to face hardships deprivations until victory is assured.

Then what does he do? Ignoring his own warnings, disregarding his own battle plans, Uncle Sam continues to skip merrily down the dollar-green road of fiscal irresponsibility. I doubt he will find Emerald City at the end of the road, if there is one, but, if there is, I certainly hope there is a financial wizard in residence. I no longer believe in a pot of gold at the end of any rainbow. I do believe at the end of ours there is a pit, a bottomless one—the national debt.

Mr. Speaker, if there is any question about why the American taxpayer scratches his head in puzzlement and reaches to protect his pocketbook every time the Federal Government talks about spending, I suggest the answer might be found in the April issue of the Reader's Digest in an article entitled "Watch on the Potomac." I submit the article for publication in the RECORD and call the attention of my colleagues to it, particularly the esteemed gentleman from Iowa, Representative H. R. GROSS, whose words of wisdom are quoted:

#### WATCH ON THE POTOMAC

(By Kenneth Y. Tomlinson and George Denison)

Time and again the Nixon Administration, like its predecessors, has declared war on wasteful government spending. But despite the usual claims by federal officials that non-essential items have been cut from the new \$229 billion budget for fiscal 1972, it is evident that fat can always be found.

Here is a small, documented sampling.

1. *Tighten up programs for the poor.* The federal government foots half the bill to house some 1100 welfare families in rundown, unsafe New York City hotels, often at luxury prices. For monthly rents averaging \$600 per family, they are frequently packed into filthy rooms featuring rats and raw sewage.

Last Year the Department of Labor poured \$71,000 into a job-training program in Gary, Ind., without consulting the local unions and contractors. Result: only one trainee was placed in a paying job!

2. *Control government watchdogs.* The federal government spends about \$185 million a year to inspect food. These inspections are necessary, but some dairy products are inspected, admittedly for different reasons, by four differing government units: military veterinarians, the Food and Drug Administration, the Department of Agriculture and the state department of health.

3. *Check leaks in the foreign-aid spigot.* U.S. taxpayers have supported the Inter-American Development Bank to the tune of \$3 billion in the last ten years. In one dealing, the Bank loaned \$273 million to irrigate land in Mexico where no crops could possibly grow, even with ample water.

The United States gave Honduras \$149 million in aid between 1961 and 1970. Result: U.S. auditors found "no evident acceleration of its over-all social or political development." Indeed, there was ample evidence that the money had been pumped into the country faster than it could be absorbed and spent.

Foreign-aid officials, wanting to build 40 barges for the South Vietnamese, exported twice the amount of steel needed for the project. But only 16 barges were constructed. The remainder of the steel was left to rust in mud near Saigon's main harbor. Congressional probes estimated the waste to the American taxpayer at \$1 million.

4. *Stop subsidizing pollution.* Over the past eight years, the Economic Development Administration has sunk \$12.3 million into a sugar-processing plant in Maine. The plant is still losing money, and has caused so much pollution in the Prestle Stream that a \$196,000 grant had to be obtained from the Federal Water Pollution Control Agency to clean it up.

5. *Look twice before spending.* The General Accounting Office found that the Veterans Administration paid 60-percent more for drugs bought outright from suppliers than it would have through competitive bidding or negotiated purchases.

A civilian subcontractor for the U.S. Air Force purchased \$9.5 million worth of heavy equipment to construct an airfield in Vietnam. But \$7.4 million worth of duplicate equipment purchased by a U.S. Navy contractor for the same job had already been sent to Vietnam. The Air Force had paid premium prices because of the "rush" nature of the project!

The federal government squanders millions by leasing U.S. post offices rather than building them. A 30-year lease for the Detroit post office will cost taxpayers \$54 million for buildings and land that actually cost less than \$22 million. The Harrisburg, Pa., post office will cost \$15,340,800 for property its owner purchased for \$8.4 million.

Declares longtime watchdog of the federal treasury, Rep. H. R. GROSS (R., Iowa), "We need cost-cutting at every level of the gigantic federal establishment." Now!

#### WELFARE REFORM

### HON. HARRY F. BYRD, JR.

OF VIRGINIA

IN THE SENATE OF THE UNITED STATES

Thursday, April 15, 1971

Mr. BYRD of Virginia. Mr. President, two Virginia newspapers have recently published interesting and informative editorials on the subject of welfare reform.

In its April 7 edition, the Richmond Times-Dispatch carried an editorial entitled "Needed: A Better Plan." And in its April 9 edition, the Northern Virginia Daily published an editorial entitled "Senator BYRD on Welfare."

The Richmond Times-Dispatch makes the point that innovations in welfare should be tested before a major change is made in the welfare system.

The Northern Virginia Daily makes the same point, and notes the complexity of the problem of welfare reform. It rightly observes that:

Welfare has a propensity for growing. It never shrinks in its scope.

The editor of the editorial page of the Richmond Times-Dispatch is J. E. Grimsley. The editorial of the Northern Virginia Daily is James J. Crawford.

I ask unanimous consent that the editorials from the Richmond Times-Dispatch and the Northern Virginia Daily be printed in the Extensions of Remarks.

There being no objection, the editorials were ordered to be printed in the RECORD, as follows:

#### NEEDED: A BETTER PLAN

Virginia's U.S. Senator Harry F. Byrd, Jr. doesn't think much of the Nixon administration's guaranteed annual income proposal. But since an improved welfare system must be found, the senator is willing to see the Nixon plan tried out in several sections of the country to see how it works.

In a speech to the Senate Thursday, Byrd said what most other knowledgeable people on the subject are saying: The nation's present welfare system simply is not doing the job that ought to be done in providing aid to the needy.

He quoted New York Governor Nelson Rockefeller's recent somber warning that "the present welfare system, if continued as it is, will ultimately overload and break down our society."

It's hard for Byrd, and it's hard for us, to accept the guaranteed annual income provision of the Nixon proposal. Not only is the administration's plan questionable as a matter of public policy, it also—to use Byrd's figures—would increase the number of people on the welfare rolls from 10 million to 24 million. It is estimated the nation's total welfare bill would be tripled under the administration's proposal.

Byrd has introduced in Congress a resolution to establish a national, blue ribbon commission to study the welfare problem and to make recommendations.

Such a commission might be useful if it could have the benefit of welfare experiments of various kinds. These would include the Nixon plan, welfare innovations now being proposed for adoption in California and New York, and perhaps other new ideas tried out in other places.

In the meantime, most of the states will have to continue using the present welfare system and though every reasonable effort should be exerted to see that it operates at maximum efficiency, that the legitimate needs of the poor are met, and that chiselers and deadbeats are kept off the roll.

SEN. BYRD ON WELFARE

One of the most sensitive issues before the Congress today is what should be done in reforming the nation's welfare program. Our present welfare system is archaic, inequitable and costly, but perhaps its worst feature is that in many ways the present program encourages greater dependence on welfare.

In an effort to inaugurate a long-overdue reform of the welfare program, President Nixon is pushing his Family Assistance Plan, a proposal which is far more ambitious than the present system in that it will make eligible many Americans who do not now qualify.

Many congressmen oppose the Family Assistance Plan for various reasons but, in sum, these reasons appear to add up to a general conviction that the Family Assistance Plan is a change but is not reform.

In a speech on the Senate floor last Thursday, Sen. Harry F. Byrd Jr., a long-time supporter of the need for reform in the welfare laws gave the following four basic reasons why he opposes the President's plan:

"First, I am concerned about establishing the principle of a guaranteed annual income.

"Second, I am concerned about a proposal that would more than double the number of persons on welfare—from 10 million to 24 million.

"Third, I am concerned about a proposal that would nearly triple the cost of welfare in two years.

"Fourth, I am concerned that the Administration's plan lacks adequate work incentives."

Instead of the sweeping, costly and untried innovations offered by the Family Assistance Plan, Sen. Byrd recommends a program of selected trials. To begin with, the senator has introduced a bill which would establish a national blue ribbon commission to study the problems and make recommendations.

In addition, the senator suggests that the most feasible way to approach the Family Assistance Plan, or any major welfare reform program, is to try it out on a selected, sectional basis to see if it is practical in application.

The whole problem of welfare reform is a very complex one, and whatever changes are made promise to be difficult and costly to implement. Welfare has a propensity for growing. It never shrinks in its scope.

We believe Sen. Byrd's recommendation for a study commission is wise. Sectional trials of new programs are also wise. Where the spending of increased billions of dollars is indicated, cautious pre-evaluation is certainly a sensible route to follow.

LIEUTENANT CALLEY

HON. J. CALEB BOGGS

OF DELAWARE

IN THE SENATE OF THE UNITED STATES

Thursday, April 15, 1971

Mr. BOGGS. Mr. President, the 126th General Assembly of the State of Delaware has adopted a House concurrent resolution relative to the case of Lt. William L. Calley, Jr.

The resolution, proposed by Representative Thomas L. Little, calls upon the President of the United States to grant executive clemency to Lieutenant Calley and to restore him to active duty.

I ask unanimous consent that the text of the resolution be printed in the RECORD.

There being no objection, the resolution was ordered to be printed in the RECORD, as follows:

HOUSE CONCURRENT RESOLUTION No. 15: REQUESTING PRESIDENT RICHARD M. NIXON TO GRANT CLEMENCY TO LT. WILLIAM L. CALLEY, JR., CONVICTED OF MY LAI MURDER CHARGE Whereas, Lt. William L. Calley, Jr. of the United States Army, fought courageously and well for America on numerous battlefields, other than My Lai; and

Whereas, thousands of America's finest have given their lives in the defense of freedom for the people of South Vietnam; and

Whereas, the conventional rules of warfare have been generally disregarded throughout this tragic struggle to maintain South Vietnam's independence and our beleaguered troops have been justly provoked by civilian partisans, female and juvenile, who have repeatedly abandoned the traditional noncombatant role to treacherously assassinate their would be benefactors; and

Whereas, no request was ever made by the Government of South Vietnam that Lt. Calley be tried for the My Lai incident, the impetus for such extraordinary proceeding having been created in substantial part by divisive forces in America who seek to discredit the Army and weaken the national resolve; and

Whereas, the unusual length of time required for the jury's deliberation is deemed indicative of substantial doubt of the legal guilt of the accused; and

Whereas, the inevitable effect of any punishment normally commensurate with conviction for the same offense by a civilian for which the defendant in this case was charged would be to dispirit the United States Armed Forces, encourage our national enemies and tend to destroy our national unity.

Now therefore be it resolved by the House of Representatives of the 126th General Assembly of the State of Delaware, the Senate concurring therein, that we do hereby urgently request President Richard M. Nixon, as commander-in-chief of the Armed Forces, to grant forthwith executive clemency to Lt. William L. Calley, Jr., expunging of record all criminal convictions heretofore entered against said soldier and restoring him to active duty as a member of the United States Army.

Be it further resolved that copies of this Resolution be forwarded to President Richard M. Nixon and the United States Senators J. Caleb Boggs and William V. Roth, Jr., respectively and United States Representative Pierre S. duPont, IV.

U.S. CITRUS INDUSTRY AFFECTED BY UNFAIR TRADE

HON. JOSEPH M. GAYDOS

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, April 7, 1971

Mr. GAYDOS. Mr. Speaker, I was interested to see in the RECORD of Friday, March 19, where two Members of the other body inserted articles protesting unfair treatment given American exporters of citrus fruits by nations belonging to the European Economic Community.

According to the articles, it appears the EEC has granted a sizable tariff preferential rate to four major competitors of the U.S. citrus growers but has not extended the same treatment to American shippers. Consequently, Tunisia and Morocco pay a tariff of only 16 cents per carton on shipments; Spain and Israel pay 48 cents per carton; and good old Uncle Sam shells out 80 cents per carton.

The American citrus growers rightly point out such action on the part of the EEC is in violation of the General Agreement on Tariffs and Trade, which is supposed to guarantee that when a preference is given one member of GATT, it automatically is extended to others.

This disregard of the GATT provisions by the EEC has cost the citrus industry in Arizona and California a loss of \$3 million in less than 2 years. The ultimate loss would be about \$30 million of the American trade balance and severe damage to an industry which employs approximately 40,000 U.S. citizens. So, it seems another American industry is feeling the same pains of unfair foreign competition that have been felt by our electronic industry, our steel industry, our shoe industry, our textile industry, and our heavy electrical equipment industry.

Nonetheless, there still are those economists and philosophers of free trade who point the finger of guilt at the United States, and declare it is we who will be responsible for an international trade war if we move to protect our industries and our workers. Somehow they do not see free trade and fair trade in the same light as I do.

Mr. Speaker, I am hopeful that someday these people will see the light and place the blame for unfair world trade where it rightfully belongs. When that day comes, I assure you, I will not gloat and say, "I told you so," but I will move to place mandated quotas on their "sour grapes."

MAÑANA IS TODAY

HON. ROBERT P. GRIFFIN

OF MICHIGAN

IN THE SENATE OF THE UNITED STATES

Thursday, April 15, 1971

Mr. GRIFFIN. Mr. President, a recent issue of The Manager, published by the U.S. Department of Commerce, contains an article by Carlos Conde entitled "Mañana Is Today." In the article, Mr. Conde discusses with perception and insight some of the problems faced by Spanish Americans as well as real efforts being made by the cabinet committee on opportunity for the Spanish speaking to deal with those problems.

I ask unanimous consent that the article be printed in the Extensions of Remarks.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the Manager, January-March 1971]

MANANA IS TODAY

(By Carlos Conde, Director of Public Affairs Cabinet Committee on Opportunities for Spanish Speaking People)

When the Cabinet Committee on Opportunities for Spanish Speaking People is mentioned, a common reaction is "What is it and who needs it?" The question poses the attitude and gives the answer and the reason for creating the Cabinet Committee. The Spanish speaking people have been left behind in the social reform movement because of indifference, apathy and ignorance toward their needs and issues. Much of this, unfortunately, can be found in the Federal

bureaucracy where a tunnel view of minorities seems to exist. One was suggested with more truth than levity that the Spanish speaking people are in the "silent minority" in the community and the "snap minority" in the Federal Government. "When the bureaucrats get together to talk policy and programs for minorities," he said, "someone invariably snaps his fingers at the end of the meeting and says 'Dang it, we forgot the Spanish speaking people again.'" The Cabinet Committee exists, therefore, to make the Spanish speaking people and their needs a household word in the Federal community. It is young and still teething but it has the unabashed spirit and energy of youth required for the job. The Cabinet Committee is an independent office in the executive branch of the Federal Government and is responsible to Congress through the President. It is essentially an advisory body involved in assisting other Federal agencies to develop and initiate programs for Spanish speaking people. The "committee" is made up of Cabinet-level members whose departments and agencies provide resource assistance to staff activities and programs. The Cabinet Committee is the successor to the Inter-Agency Committee on Mexican American Affairs created in 1967 by Presidential Memorandum. It received statutory status and a new name in December of 1969.

Why is such an agency necessary? The statistics tell most of the story. The median education for the adult Spanish population 35 years and older is 8.5 years although for the younger segment, it is approaching the 11-year level. The family income hovers around \$5,600. The unemployment rate for Spanish origin persons is considerably higher than for the total labor force. Spanish origin workers are less apt to hold white-collar jobs than the other segments of the work force. Spanish speaking persons own less than one percent of the nation's businesses. A Spanish surnamed person is seven times more likely to live in substandard housing than his Anglo counterpart. The mortality rate at birth or during the first year is twice that of the Anglo. The average lifespan of a Spanish speaking child born to a migrant family is 38 years. Among the Spanish speaking migrants, 41 percent of all deaths occurs by five years of age. For many Spanish speaking people, poor education, poor jobs, poor housing, disparagement, disenfranchisement and death at an early age are common.

Another aspect has been the failure or the inability of people and institutions to understand the particular lifestyles of the Spanish speaking people and therefore to adequately develop a social progress plan for them. Many times, if a certain project fails in San Antonio when it worked beautifully in Atlanta, Georgia, the program operators dismiss it as a lack of response from the people rather than the ineffectiveness of the program. It is necessary to look deeper into the background and character of the Spanish speaking people to plan viable programs, which is one reason the Cabinet Committee was brought into being.

The Spanish speaking people have lived in isolation for many years and existed largely on the mores and traditions of their culture. They also have had a particular history to contend with. The Southwest, where three-fifths of the Spanish speaking population live, was once their homeland and the Anglo culture was the invader. The turn of events highlighted by war, land seizures, and ostracism made them feel as interlopers in the land they pioneered and, held apart from the community, they preferred to remain within the security of their Spanish culture. Their descendants have grown up with a bewilderment that has not yet been fully resolved. Take the Mexican American, for example, who comprise more than half of the United States' Spanish speaking population. Most of them grow up in the Southwest—as Americans by birthright but Mexi-

cans in lifestyle—proud of their heritage but at times burdened by it.

The price of success and social advancement for many of them has been the rejection of their culture and traditions and the acceptance of Anglo-imposed traits. Many Spanish speaking people recognize the value of assimilation but have also found out that their destiny has too often been compromised by incompatible social action programs. Take the language problem. Is it wrong or unworthy to be bi-lingual as well as bi-cultural? Is this not an asset rather than a burden? Why, they ask, is it repressed? Spanish is currently spoken in the homes of one-half of the Spanish origin population. With the exception of English, Spanish is spoken by more persons than any other language in the United States. That is strength, not weakness. It should not have to be sacrificed for social and economic advancement. Nor should the culture, for that matter, which has made many significant contributions to the nation. The genius of a meaningful program, therefore, is to bring all these factors into play and stimulate rather than inhibit ambitions and opportunities. The issue in training programs or self-help projects is not a trade off between two languages and cultures, but rather the blending of both. No one is denying that a person should know functional English if he lives in a society where the language is dominant, but he should be brought into it, not tossed into it.

The cabinet Committee's responsibilities are to make this and other characteristics of the Spanish speaking people known to social planners, particularly in government. Its job also is to articulate their needs and problems and to make their existence and presence known in every nook and cranny of the bureaucracy. Its creation was necessary because history shows that the Spanish speaking people's problems have been overlooked or denied the attention they merit. Awareness of the Spanish speaking people by the bureaucracy is a slow-melting iceberg. Many times it is reaction, rather than action, that prods government men. One interesting theory is the proximity of government decision makers. Some people suggest that an Easterner's mentality prevails in government, that too many are too far removed from the drama and too few have the insight or the interest in the Spanish speaking people.

Despite the wit of a Mexican American who said when you are sleeping on the floor you can't fall out of bed, things are looking up in the Federal Government for the Spanish speaking minority. Perhaps the most important breakthrough is President Nixon's 16-point Equal Employment Opportunity program for Spanish speaking people which was announced in November. Aimed at giving members of this ethnic minority an equitable share of federal jobs, President Nixon instructed the Civil Service Commission to begin implementation immediately. The plan was developed by the Cabinet Committee under the guidance of former chairman Martin G. Castillo and Executive Director John Barreno. The action was prompted by statistics that showed Spanish speaking people holding 2.8 percent of the 2.6 million Federal jobs. Most of them were in the lower grades. The program is an intensified drive to recruit Spanish speaking persons into government jobs and to make EEO officers in government agencies aware of their existence. It called for the appointment of a full-time Spanish surnamed EEO official in the Civil Service Commission to serve as an ombudsman and advisor to Civil Service Commission Chairman Robert E. Hampton. Chairman Hampton appointed Fernando E. De Baca of Albuquerque, New Mexico to this position and the program is now underway. Hopefully, an increased number of Spanish speaking people in government, particularly in the higher echelons, will remove the broker system of progress and provide Spanish speaking ex-

perience on programs and policies directly affecting them.

In every facet of society, a new era is beginning for the Spanish speaking people. They have discovered themselves and their potential and are rapidly gaining the tools with which to do the work. The Federal Government is showing greater willingness to become a partner in their social progress. Everyone looks forward to the day when an agency such as the Cabinet Committee is no longer needed for it will mean we will have reached the thoroughfare to progress. The Spanish speaking people certainly are ready, willing and able. As the sign read at a Mexican American rally, "Manana is Today."

#### HIGHWAY SAFETY

### HON. FRANK M. CLARK

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, April 7, 1971

Mr. CLARK. Mr. Speaker, in 1970 the terrible death and injury toll on our highways from accidents was reversed for the first time—a major accomplishment due in considerable part to the vast design improvements on the new Interstate Highway Systems. However, approximately 55,000 people lost their lives, almost 5 million were injured and the economic loss from auto accidents was more than \$16 billion—these astronomical figures can and must be reduced.

Highway accidents are caused by the failure of either the driver, the car, or, the highway. Current attention, however, seems to be largely centered on: the drunken driver, the aging driver, the accident prone driver and what can be done about him, improvement in car design to better protect drivers and passengers, better bumpers, and the possibility of engine deflection. All of these are among improvements being studied. Compulsory seat belts and shoulder harnesses and passive safety devices like the air bags are under development. Unfortunately, most of the final answers to these problems seem to be in either the talking or the development stage and target dates are still years away.

The highways, however, are being made safer every day. One of the possibilities for the further reduction of the needlessly lost lives and the wasted millions in property damage lies in a new passive on-highway safety device called the Fitch Inertial Barrier. A device that is saving lives today on our highways.

The Fitch system is a simple, inexpensive, yet extremely effective device used to protect out-of-control cars from impacts with hazardous fixed objects such as bridge abutments, overpass piers, parapet wall ends at exit ramps, and similar roadside dangers which accounted for thousands of last year's accidents. It consists of a series of free-standing plastic drums filled with graduated amounts of sand, front to back, held at the average car's center of gravity. The drums are placed in front of the hazard, much like bowling pins. When struck by a speeding car, the modules shatter and the car's energy is transferred to the sand, resulting in a controlled, safe stop that minimizes the

chance of injury and reduces car damage to a remarkable degree.

There are currently 110 of these devices installed on our highways. They have been struck by out-of-control cars 75 times over the past year and in only one instance did the injury sustained require medical care. In 74 of the accidents there were no injuries reported, even though the speeds of the cars involved were as high as 65 miles per hour—in about 80 percent of the cases the cars were backed out and driven away, indicating a very minimum of damage. Qualified highway experts estimate some 20 to 25 lives have been saved by this safety barrier as of this date.

Just imagine the potential savings in life and property damage possible if these barriers were present on our highways in the thousands, rather than the hundreds.

I urge responsible officials in all States to check into this new lifesaver. This device—and other impact attenuators—has recently been approved by the Federal Highway Administration for use as standard "highway hardware." It requires little or no site preparation and can be erected by a highway maintenance crew in approximately 3 hours. The cost averages about \$1,800 per barrier.

In 1970 the first step was made to reverse the staggering highway accident figures. Here is a means of lowering them still more. Let us do something today while we wait for the safety devices that are promised for tomorrow. The Fitch barrier is here today. Available now. Let us act now to cut down the needless slaughter on our highways.

AMERICAN PARTICIPATION IN THE UNITED NATIONS BOYCOTT AGAINST RHODESIA

HON. HARRY F. BYRD, JR.

OF VIRGINIA

IN THE SENATE OF THE UNITED STATES

Thursday, April 15, 1971

Mr. BYRD of Virginia. Mr. President, the Northern Virginia Daily of April 2, 1971, includes an excellent editorial on the subject of American participation in the United Nations boycott against Rhodesia.

I have introduced (S. 1404) a bill which would have the effect of ending our participation in the U.N. embargo, so far as shipment of chrome ore from Rhodesia to the United States is concerned.

The editorial makes the point that there are strong moral arguments and strong economic arguments in favor of the United States ending its participation in the embargo.

I ask unanimous consent that the editorial, entitled "A Twofold Bill," be printed in the Extensions of Remarks.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

A TWOFOLD BILL

On Thursday Sen. Harry F. Byrd, Jr., introduced legislation in the Senate which would accomplish two important purposes. The Byrd bill will, at one fell swoop, set

straight an economic anomaly, and will also correct a moral inequity of an international nature which has existed for over four years.

Back in 1966, when Great Britain led a United Nations' action to impose an economic embargo against Rhodesia, the United States supported the move. Since then the UN has twice tried to draw tighter the sanction noose against Rhodesia, each time strongly supported by the U.S.

Today, Sen. Byrd reminds us, it is a criminal offense to trade with Rhodesia. One of the results of this total embargo is that the U.S., which formerly purchased most of its chrome from Rhodesia, is now forced to rely on Soviet Russia for 60 percent of its total consumption.

This situation is not only morally and ethically insupportable, and an aggressive attempt to strangle a small and struggling nation which has in no way harmed the U.S., but is also an extremely dangerous position for the U.S. to be in.

Not only are we dependent on the whims of Soviet Russia for a very strategic metal, but we are also caught in the vise of a monopoly squeeze which has seen the price of Soviet chrome more than doubled.

Sen. Byrd's bill would end our dependency on Russian chrome through the expedient of limitations under which "the President could not ban imports of strategic material from a free-world country if the importation of the same material is permitted from a Communist-dominated country."

This would mean that the U.S. would have to end its embargo against Rhodesian chrome as long as chrome is being purchased in any Communist country. Perhaps the adoption of this legislation might lead in time to the removal of all sanctions against Rhodesia.

The Byrd bill makes sense, which is more than can be said for the long-standing embargo against this unfortunate little African nation. All the factors, economic and moral, argue for its quick passage.

THE SELLING OF THE PENTAGON

HON. JONATHAN B. BINGHAM

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Wednesday, April 7, 1971

Mr. BINGHAM. Mr. Speaker, an excellent editorial appeared on April 13, 1971, in the Wall Street Journal and I would like to include the full text of the editorial in the RECORD at this point.

[From the Wall Street Journal, Apr. 13, 1971]

PENTAGON PUBLICITY

In all the hullabaloo about the CBS show, "The Selling of the Pentagon," one matter seemingly has gotten lost.

The show's target, excessive spending on publicity by the Department of Defense, is a wholly appropriate subject for public discussion, however badly or unfairly CBS might have handled it.

CBS has been accused of using an exaggerated figure on how much the Pentagon spends for its various press, publicity and public-relations activities. In fact, it is difficult to know just how much the department and its branches spend for this purpose.

Adam Yarmolinsky, a onetime Pentagon "whiz kid" under Robert McNamara, says in his thorough book "The Military Establishment," that a high Army officer once estimated it would cost \$85,000 just to determine what the Army spends for public relations. But in response to an inquiry by Senator Fulbright in 1969, the Pentagon admitted that it had an information force of 2,800, with direct salary and operating costs of \$27.9 million. That was a tenfold increase from 1959.

The figure, which certainly is substantial, does not include other costly activities, such as Armed Forces Day shows, which can partly come under the heading of training but must also be included under public-relations activities.

Aside from all the questions of war and peace, press freedom, journalistic fairness and the like that the CBS show has stirred up, the simple and provable fact is that there are large-scale Pentagon publicity outlays at a time when the nation is under extreme pressure to bring government costs under control.

The Pentagon is not the only offender, to be sure. Public-relations and advertising techniques are in fairly common use throughout government. The Pentagon, however, with an overall budget that looms so large beside anything else, most likely is the biggest spender.

Taxpayers need information about government but they don't need heavy salesmanship and it is doubtful that any useful purpose is really served by it. Most Americans have been convinced for a long time that they need a substantial military establishment capable of insuring the nation's security and meeting its foreign-policy commitments. Professional testimony to Congress and advice to the President plus a free flow of information to the press should be largely sufficient for public-policy decisions on the specific needs of the Defense Department.

The real danger in any government department's attempting to build a large propaganda establishment is that it might prove capable of developing its own political constituency, outside the normal traditions of this nation's government. It could thus become difficult or even impossible for either the President or Congress to adequately control the department's budget and natural tendencies toward growth. Fiscal priorities can get badly distorted that way.

The Pentagon's budget has grown so large—partly as a result of the public's security fears and the over-extensive foreign-policy goals of past governments—that its spending affects the livelihoods of large numbers of people. We do not raise the specter of a possible military takeover here, as some critics of the Pentagon might, since we feel that the nation's traditions of democratic civilian government are strong ones and are honored inside as well as outside the Pentagon. Yet the tendency of large institutions to generate their own life and momentum, and thus become difficult to reshape to changing needs, is an important problem in itself. Self-salesmanship can contribute to this tendency.

CBS was attempting to deal with a subject that does deserve serious consideration—more serious than TV networks, with their show-business propensities and personality cults, ever seem capable of giving. The Pentagon publicity budget should be cut and so should publicity budgets of other government departments that are inclined to go beyond minimum informational roles.

There is, after all, a basic anomaly in super-salesmanship campaigns by government departments. They are, in effect, spending the taxpayers' money to sell the taxpayer on letting them spend still more of his money. The taxpayer would be better served if he could find some way to sell government on spending less.

ALBERT N. JACKSON

HON. OLIN E. TEAGUE

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, April 7, 1971

Mr. TEAGUE of Texas. Mr. Speaker, on Thursday, April 1, 1971, the Fourth

Estate of this country lost a noble soul. Mr. Albert N. Jackson, who rose from a cub reporter to vice chairman of The Times Herald Printing Co., publishers of the Dallas Times Herald, over a span of 50 years passed away in a Washington hotel. I was proud of the fact that Mr. Jackson counted me as one of his friends and under leave to extend my remarks in the RECORD, I wish to include a news article which contains the many fine tributes paid to him by his many friends; as well as the editorial which appeared in his paper. However, all of the written words or those expressed can adequately convey my feelings for this fine gentleman and American citizen who has departed our midst.

[From the Dallas Times Herald, Apr. 4, 1971]  
LEADERS OVER NATION PAUSE TO PAY TRIBUTE  
TO JACKSON

Political and professional leaders across the nation paused this weekend to pay tribute to the late Albert N. Jackson, vice chairman of the board of The Times Herald Printing Co., who died in Washington, D.C., Thursday.

"Please extend my sincere condolences to the family of Albert N. Jackson," said U.S. Sen. John Tower in a telegram to James F. Chambers Jr., publisher of The Dallas Times Herald.

"The passing of one who contributed so much is a great loss to the newspaper industry."

U.S. Sen. Lloyd M. Bentsen Jr. described himself as "deeply saddened" by the passing of Mr. Jackson, who rose from cub reporter to become one of the most prominent figures in American journalism during his 44-year newspaper career.

"Texas has lost a creative, contributing citizen of great stature," Sen. Bentsen said. "The journalistic profession has lost a dedicated servant. And I have lost a true and valued friend of many years."

"Albert Jackson's civic contributions to his beloved city, his state and the nation, his leadership and lasting accomplishments in his chosen profession, and the stamp of his personality on the progress of an entire state will be lasting testimony to his life. He will be sorely missed."

U.S. Rep. Earle Cabell, who was to have dined with Mr. Jackson in Washington on the evening of his death, said:

"I regret the passing of my longtime friend. Not only was he a man held in high esteem in the journalism profession, but a man who took an interest in people and public affairs and was always in the forefront in leadership of those interested in improving our government and our government's functions."

Messages of sympathy and condolence came to Mr. Jackson's family from a wide range of people all over the nation, including President Nixon, former President Johnson and other national leaders to whom Mr. Jackson was a familiar and respected figure.

"Mrs. Smith and I were grieved to learn of the death of Albert Jackson," said Texas Gov. Preston Smith. "Mr. Jackson was a longtime friend."

"His loss will be felt keenly by the newspaper, his friends and the many thousands of Texans who knew and respected him. Texas journalism has lost a valuable champion with his passing, and Mrs. Smith joins me in expressing sympathy to his widow and their daughter."

U.S. Rep. Ray Roberts, whose district includes Mr. Jackson's hometown of McKinney, recalled his aid and advice on many occasions in the past.

"Texas has lost one of its great citizens," said Rep. Roberts. "Albert Jackson came from my hometown of McKinney and has been my close personal friend for almost all of my life."

"He was always available when I needed his counsel. He gave freely of himself and asked nothing in return. If the world had more people with the professional understanding and courage of Albert Jackson, it would be a better place in which to live."

Dallas Mayor Erik Jonsson led the outpouring of sympathetic tributes from leaders.

"Above all," said Mayor Jonsson, "I will miss Albert Jackson because he was my friend. Knowledgeable in many ways; quiet but warm and outgoing; wise and steady, he could not be stampeded, nor would he waver in the slightest degree when the going got rough."

"Dallas truly has lost one of its most informed, dedicated and concerned leaders."

"Mrs. Jonsson joins me in expressing our deepest sympathy to Mrs. Jackson and their family, on our behalf and that of the community."

Added Dr. Luther Holcomb, vice chairman of the Equal Employment Opportunities Commission and former director of the Dallas Council of Churches:

"He was an outstanding man of our times, a man of exceptional insight and achievement, a foremost American, and above all a man of great goodwill. We shall mourn the loss of a friend and colleague who for so long personified the best in journalism."

Maurice Hunnicutt, secretary of the Allied Printing Trades of Dallas, recalled the great integrity with which Mr. Jackson, a widely acknowledged labor expert, dealt with labor unions as a newspaper executive.

"He was a great man and a great citizen," said Hunnicutt. "He was fair and just in all his dealings with all printing trades unions. We will certainly miss him."

Other tributes came from Mr. Jackson's fellow journalists around the country.

"All of us here are deeply sorry to learn of the passing of Albert Jackson," wired Richard Lloyd Jones, editor of the Tulsa Tribune. "His knowledge of the newspaper business was respected nationwide."

Mason Walsh, former managing editor of The Times Herald, sent condolences from Phoenix where he is now editor of the Arizona Republic.

"Albert's guidance, counsel and friendship meant much to me during our years of association at The Times Herald," said Walsh. "Our prayers are with you."

S. B. Whittenburg, president of the Amarillo Globe News, said "Albert has been a great contribution to the newspaper profession. We will all miss him."

[From the Dallas Times Herald, Apr. 2, 1971]  
ALBERT N. JACKSON

There are many ways and of varying degree in which a man can serve his fellow man. We believe one of the best is in the capacity of an able, conscientious, dedicated professional journalist.

It was in that capacity that Albert N. Jackson chose to serve his fellowmen. And Albert Jackson served them thus in the highest degree.

At the time of his death Thursday, Mr. Jackson held the position of vice chairman of the board of The Times Herald Printing Company. But he had reached that position through nearly half a century of service with The Times Herald as a reporter, as an editor and then as a company executive.

But we who knew him best remember him best for his work as a reporter and political writer. And of all his positions, he was proudest of having been a good reporter. The fact is that he was more than just a good reporter. As the publisher of this newspaper, James F. Chambers Jr., a long-time personal friend, said, "Albert was the most professional journalist I've ever known. He was a meticulous reporter—the smallest details were all there in his stories."

Mr. Jackson spent some 15 years of his career as a journalist reporting Dallas munic-

ipal affairs. And it was there that he made probably his greatest contribution to the people of this city.

Mr. Jackson came into this field of journalism at the time the City of Dallas was beginning its transition from a comparatively small city to a great metropolis. And through his scrupulously honest reporting and more, through his campaigning for good government, through his advice and consultation with civic leaders of the city, Albert Jackson had a major hand in helping fashion and encourage the excellent city government Dallas has enjoyed for so many years.

But Albert Jackson's influence for good in government went far beyond the city limits of Dallas. Over the years he became the friend of governors and other state officials, of congressional leaders and of presidents. All of them sought his advice and counsel, not only on political matters but in the broader matters of state, at all levels of government, from the lowest to the highest.

For they recognized in Albert Jackson, as did all of his legion of friends, a man not only of consummate political acumen but of fundamental wisdom as well, a wisdom which grew out of a deep understanding of, and a deep sympathy for, people.

These characteristics were manifest in the great host of persons who knew him as a friend. Indeed, hundreds upon hundreds of persons, from the lowest rank to the highest, will mourn his passing.

This city, this state, the nation, and most of all, this newspaper, will miss him. All of these and all of the multitude of people who were his friends are better for his having lived among us.

#### LIEUTENANT CALLEY

### HON. WILLIAM S. BROOMFIELD

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Wednesday, April 7, 1971

Mr. BROOMFIELD. Mr. Speaker, the conviction and sentence of Lieutenant Calley has become as controversial an issue as the entire question of our involvement in Vietnam. The wide variety of responses from the American people reflect the profound dissension that has torn our country: One group argues that Calley cannot be held responsible for actions he took in pursuing his orders; another claims that he is only a scapegoat for the military and civilian leadership; and still a final segment of the public points out that, regardless of his orders and regardless of American military policy, Calley has committed a crime that cannot be excused under any circumstances.

From this general disagreement we may draw one conclusion with certainty: That it is difficult, indeed, to apply the rule of law to a wartime situation, that we expect, perhaps, too much when we ask a soldier, stung by the deaths of his friends in the past and doubtful of his own survival in the future, to distinguish between the legal and the illegal actions of war.

The basis of the Army's policy toward nonbelligerents is contained in a manual, the "Rules of Land Warfare," which runs well over 100 pages and covers subjects unknown to most lawyers, let alone most soldiers. I doubt that many servicemen actually know the types of protection offered to civilians under the different

circumstances of war; I doubt, moreover, that many officers realize that a certain status of civilian is not protected by law and may, in fact, be subject to reprisal. These are critical aspects of our policy toward nonbelligerents, yet they are practically unknown to the majority of our soldiers.

When we apply the rule of law to a wartime situation, we are asking that all these considerations be carefully weighed by the individual soldier before he takes action—a difficult task under normal circumstances, and an almost impossible job in the heat of battle.

The military has recognized this problem and simplified the decisionmaking process down to the following question: would the action taken be understood as legal by a right-thinking, rational man? This, I would agree, is a substantially more realistic criterion. But, even here, a certain difficulty persists, for, while law is based on reason, soldiers act, for the most part, on instinct—the instinct of survival. We are asking men to be rational when, in fact, they depend almost exclusively upon their natural will to live.

As long as there are wars, of course, we can still do everything within our power to see that they are fought with some regard for the innocent. The laws of war have undoubtedly saved lives, and for that reason alone must be continued and improved. What I have tried to indicate in the foregoing discussion is the simple fact that, worth while as these laws surely are, they cannot be applied as evenhandedly as we would like; that they create enormous problems for the man in uniform and that they ask of him somewhat more than we can or should expect.

Consequently, the prosecution of those accused of violating the laws of war must take into account the trying circumstances under which the alleged violation took place. The accused should be granted every benefit of the doubt and every legal right that is consistent with the American system of jurisprudence. Unfortunately, under the Uniform Code of Military Justice, this is not the case.

Under the Code, military courts are required to function within the same framework as our Federal and State courts. Yet, in the case of Lieutenant Calley, we found that he could have been convicted by less than a unanimous decision of the six-member jury, a possibility which runs directly counter to a key principle of the American judicial system; that which requires the unanimous concurrence of the jurors in any conviction. In other words, under the Uniform Code a soldier is treated less equitable than he would be in the regular, civilian courts.

As I have already taken the pains to demonstrate, the soldier has enough trouble just obeying the laws of war. We do him a severe injustice when we further deny him his constitutional right to a fair trial.

I have joined Congressman Latta in introducing legislation that would amend the Uniform Code of Military Justice to require unanimous concurrence of the jury before a conviction can be handed down. Until the day when we have no more wars and we need no more laws to govern them, we must make every ef-

fort to see that our present rules meet the basic standards of American jurisprudence. Our servicemen deserve no less.

#### IS LIEUTENANT CALLEY TO BE OUR CONSCIENCE?

### HON. OLIN E. TEAGUE

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Thursday, April 15, 1971

Mr. TEAGUE of Texas. Mr. Speaker, there has been much written both pro and con relating to the Calley trial. Mr. Felix McKnight, editor of the Dallas Times Herald, however, has written by far the best insight to this problem. I cannot elaborate on what he has written and, therefore, under leave to extend my remarks, I insert Mr. McKnight's editorial in the RECORD at this point.

[From the Dallas Times Herald, Apr. 4, 1971]

CASE OF LT. CALLEY: IS HE TO BE OUR CONSCIENCE?

(By Felix R. McKnight)

Why, in the name of God, make the 27-year-old William Calleys pay at hard labor through life so that the artisans of war can crawl from the mudholes of history to the wash basin?

Is this ramrod Floridian, whose tears were even disciplined as he stood before his jury, supposed to be our conscience?

Is he, by life in a stockade, supposed to be the total atonement for the million tragedies that are the footnotes to war manuals?

Must Lt. William Calley, in one sweep of righteousness, be the cleansing agent for massive World War II bombings that obliterated cities and brought other men the Congressional Medal of Honor?

Are we, in currently recounting the miseries of man's wars, to go back and prosecute Commander-in-Chief Harry S. Truman for the premeditated extinction of hundreds of thousands of civilians in the atomic erasure of Hiroshima and Nagasaki?

Do we call back for trial Gen. Killer Kane, wearer of the Medal of Honor, for leading his cluster of lethal B-24 bombers on a raid that leveled the military target of Schweinfurt? Or the bomber swarms that buried Dusseldorf, Bremen, Cologne?

The Allies arose from the ashes of Britain's Coventry after mass burials of their civilians to retaliate in savagery against enemy cities.

Remember Audie Murphy, the freckled kid from Commerce, of the same slight, Calleyish build? Audie wears the blue-ribboned Medal of Honor for single-handedly dispatching 240-odd Nazis and shattering enemy machine-gun nests that had been killing and maiming his fellow soldiers.

Audie's act was premeditated; committed in the wrath that comes from seeing a buddy's blood.

William Calley stood unshakable before his jury the other day—except for tears that wet his cheeks—and told them he shot at My Lai for the same reason:

"If I have committed a crime, the only crime I have committed is in judgment of my values . . . Apparently I valued my troops' lives more than I did the enemy . . . That was my enemy out there and I had to value the lives of my troops . . . That is the only crime I have committed."

Calley sobbed his final plea:

"You stripped me of all my honor. Please, by your actions, don't strip future soldiers of their honor—I beg of you . . ."

It is unthinkable that William Calley, a nice young guy dislodged from civilian life

and given a gun to fight 8,000 miles away in some cause we are now departing, would walk the streets of his hometown Miami at high noon and gun down women and children and old men in monk's cloth.

William Calley, the records show, committed his first sin at My Lai. His trial, orderly and conducted within the strict structure of military law, found him guilty. Jurors publicly said they combed back through the thousands of pages of testimony to grasp words that would prove him innocent. They did not find them—beyond reasonable doubt.

The harsh judgment rendered is to be questioned. The severity of sentence appalled America. It undoubtedly will be reduced as Lt. Calley lives in reflection and remorse through appeal procedures.

President Nixon, vested with final commutative authority, will decide the case of William Calley. It will take Solomon's wisdom to decide the moral issues that go with it; issues that have crystallized in the futility of the Vietnam conflict.

No—this should not be the lot of William Calley. But perhaps the system that got him there should be called into the witness box.

It is late in the game to start indicting the military. So we ask again, as generations before, what price war? Do we finally use every resource reborn by the Calley affair to end the scourge that—left with more My Lais, rapes of Poland, etc.—will end us all?

War, at its sorry best, is a concoction of anguish, distrust, misery and impetuous acts of dishonor. It is the sordid game that ends in no decision; only the pause before the next shooting, the next My Lai.

The poison of war; the discipline that says clean out a resistance pocket or get cleaned out yourself, has made Lt. Calley reflect on many things. It caused him to say, even before his jury found him guilty of premeditated murder—whatever that is in war:

"My Lai was a small tragedy in a small place. But, for once, man was about to see all the hells of war. I can't say that I am proud of being in My Lai or participating in war. But I would be extremely proud if My Lai shows the world what war really is . . ."

#### WHAT THE AMERICAN FLAG MEANS TO ME

### HON. THADDEUS J. DULSKI

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, April 15, 1971

Mr. DULSKI. Mr. Speaker, more than 9,000 students in the public, private, and parochial schools of Buffalo and Erie County, N.Y., engaged in an essay contest conducted recently by the Buffalo Evening News and the Erie County American Legion and Auxiliary.

This was the 42d annual contest, and 12 winners were chosen from among the entrants in the sixth through the 12th grades of some 300 schools in the county.

The prize—as in the past—was a long weekend trip by air to our Nation's Capital over the Easter holiday weekend.

In the Capital the winners received VIP treatment arranged by the sponsors, including a private bus which took them to historic sights on a carefully prearranged and all-inclusive schedule.

In explaining the topic for the 1971 Americanism essay contest, "What the American Flag Means to ME," the sponsors said:

What do you see when you look at the American Flag? We hope that what you see is more than some red, white and blue cloth.

The American Flag is the emblem of our Thought, Purpose, Unity and Power as a Nation, and it has no other character than what we give it from generation to generation.

We do not seek a collection of patriotic cliches in the essays on "What the American Flag Means to Me." We would like the young men and women eligible to participate in this competition to think about our Flag and then frankly express what it means to them.

The essays were given preliminary examinations by Russell F. Tripi, past commander of Coast Guard Post 1529 and chairman of the 1971 Americanism Essay Contest Committee of the Erie County American Legion, and Mrs. Betty Buttery, junior past president and Americanism chairman of the Legion Auxiliary.

The final judging to pick the six boys and six girls as winners was conducted by Dr. Joseph Manch, superintendent of Buffalo public schools, the Very Reverend Monsignor Leo E. Hammerl, superintendent of schools for the Catholic Diocese of Buffalo, and Elwood M. Wardlow, managing editor of the Buffalo Evening News.

The essays this year are of exceptional quality, and the winners are fine young citizens. Following are the texts of the winning essays:

#### WHAT THE AMERICAN FLAG MEANS TO ME

(By Mary A. Elniski)

(Miss Elniski, 16, of 6 South Lane, Buffalo, was winner of the Girls Division of the Buffalo Public High School classification. Her teacher is Lillian Palermo.)

A red, white, and blue banner—the symbol of our nation—or is it? In today's world, most people's thoughts end at those colors. For me, however, that is where they begin. Bravery, valor, and bloodshed went into the making of America, all summed up in the flag we display in our classrooms, public buildings, parks, and courthouses.

It would be difficult for me to teach someone else to love the American flag and all it represents. Only someone who has lived through the crises and triumphs our country has faced could experience the love and respect which our flag deserves.

To each of us, the American flag holds a different meaning. In me, it instills a feeling of pride and loyalty. We Americans have lived through many trying times. War, bloodshed, inflation, unrest, depression—all of these have played their part in America's struggle to become great. Some people feel we will never reach this goal, but, in my opinion, we have not only reached it—we have passed it.

Often it is hard to admit defeat and still keep trying. Yet, I think our nation has been a unique example of perseverance and patience. I would be the first to uphold our country's honor, for I feel I owe America much more than I could ever repay in one lifetime.

Freedom and liberty are only two of the many things I have been endowed with as a citizen of the United States. They may not seem like much to the average American, but I'm sure a citizen of Russia or perhaps Yugoslavia would be more than happy to trade places with me, if only they knew what it is like to be able to live the way they want to in a free land.

All these things are represented in the American flag. That is why our symbol of a free and independent nation means so much to me. When the "Star Spangled Banner" plays, I will be one proud American who will stand and salute the red, white, and blue.

(By James Lee, Jr.)

(Mr. Lee, 17, 521 East Utica Street, Buffalo, a senior at Seneca Vocational High School, was winner of the Boys Division of the Buffalo Public High School classification. His teacher is Gertrude R. McGee.)

The American flag is a symbol of a nation. It represents the people of the United States. Undoubtedly it means more to some individuals than others, for today many people deliberately desecrate it and denounce what it represents by their vicious statements and actions.

I heard it remarked that the United States had no business in Southeast Asia and so any attempts to bring about a peaceful settlement militarily is an unjustifiable act. Instead it was claimed we have so many problems at home that one should cease trying to be "policeman" of the world and patrol our own back yards.

As a black American, I am a firm believer in the United States government. Possibly we could have avoided intervention in the Southeast Asian conflict at its outbreak. We are, however, undoubtedly past that point at present; therefore, we should deal with the present situation. It is easy for us uninvolved individuals to sit back and read today's newspaper and say what should have been done at the time of American intervention, but we find ourselves baffled when it comes to offering suggestions as to how to further Vietnamize the war. It is easier to criticize what has been done, to vent our frustration on the flag, than to offer constructive suggestions for the elimination of the problem.

There are many agencies instituted by the government for solving domestic problems, financial and otherwise, especially those of black people. Our country has made the finest attempt in history to unite various races of people and with commendable success. The brave men who have been killed defending our flag of the United States were of no one race, color or creed.

The flag then, for me, represents people of different ethnic and social backgrounds, all Americans, all working together to reach the ultimate achievement—peace. I feel that this attempt in itself demands great respect as it represents in microcosm what the whole world must eventually do. This, then, is what the flag symbolizes for me, the pacesetter for the world. I pledge my allegiance to it therefore with pride and sincerity.

(By Sarah F. Epps)

(Miss Epps, 14, 186 Box Avenue, Buffalo, is an eighth grade pupil at Genesee Humboldt Junior High School and was winner of the Girls Division of the Buffalo Public Elementary School classification. Her teacher is Mary Carson.)

The American flag to me symbolizes my country—its past and present, and the future it holds in store for us.

As a young Afro-American I see in the flag the inglorious past of my ancestors who were so ruthlessly enslaved centuries ago. It's almost impossible for me to conceive how they managed to survive the backbreaking labors and merciless treatment which so often accompanied their bondage. Yet, in spite of hardships and privations, many of them were able to accomplish much in promoting the greatness of this country. I am proud of my heritage from such black ancestry as Phillis Wheatley, poetess; Harriet Tubman, a great humanitarian; Booker T. Washington, educator; George Washington Carver, a renowned scientist; Frederick Douglass, orator and politician; and countless other distinguished Afro-Americans.

On the other hand, reviewing the results of such great Americans as Abraham Lincoln, William Lloyd Garrison, John Fairfield and other abolitionists, it is obvious to me that our Star Spangled Banner symbolizes both the virtues and the imperfections in our country.

Slavery was like a festering sore which healed but left behind prejudice, segregation, and racial unrest as grim scars upon the faces on this country so the present is rather chaotic. Rapid changes are occurring, some resulting in harmony, some in friction.

However, the flag also holds the promise of shining days ahead for all of us in which the famed dream of Dr. Martin Luther King will become a reality and every American, regardless of race or creed, will join hands as brethren under our flag, the symbol of our great nation.

(By Thomas Kunz)

(Mr. Kunz, 13, 437 Seventh Street, Buffalo, is an eighth grade pupil at School No. 1 and was winner of the Boys Division of the Buffalo Public Elementary School classification. His teacher is Leila Piel.)

A nation's flag is a stirring sight as it flies in the wind: its bright colors and striking design stand for the country's land, its people, its government, and its ideals. A country's flag can stir people to joy, to courage, and to sacrifice. Many men and women have died to protect their national flags from dishonor and disgrace. Every citizen should know how to honor his nation's flag.

The American flag, with stars and stripes, symbolizes unity of its fifty states. The color red represents courage—courage of our soldiers who saved the honor of our flag; white, for purity and innocence; blue, for vigilance, perseverance and justice.

Being a citizen of this great and noble country is an honor and privilege that I shall always treasure. Among the many qualities represented by the flag, the greatest to me are freedom and justice. An American citizen is free to maintain physical, educational, social, and religious freedom. This fact makes our country very unique. In many countries of the world today people are suffering, due to the freedom that has been taken away from them.

I feel fortunate to live in a country that places a high value on justice for all. For example, each person is treated the same, regardless of race, color or creed. I hope that I, too, will always be able to practice this virtue in regard to my fellow-man.

The American flag, to me, will always be worthy of great respect, since it has proven its strength and ability by outliving many times of peace and war.

(By Linda C. Fischer)

(Miss Fischer, 15, Vermont Hill Road, Holland, is a ninth grade pupil at Holland Central Junior High School, and was winner of the Erie County Public Junior High School classification. Her teacher is Kathryn Dumansky.)

When pledging allegiance to the American flag, I think of what the flag means to me. It represents sacrifice, struggle, courage, freedom, loyalty, faith, and equality. To me the flag symbolizes, not only the achievements reached in the past, but the opportunities that we have in the future. It makes me realize that the goals of justice, equal rights, and peace have always brought forth problems to be solved. When I think of these goals, I believe the flag really stands for challenge. It is the challenge of improving our country and achieving peace. I know this means that I must try to do what I can to help. Thus, the flag means loyalty and responsibility to me.

Every time, I look at our flag and see its fifty stars, I feel proud of the American pioneers and immigrants who settled and developed our country. From the time the first men had the courage to leave their homes in foreign lands and search for freedoms they wanted, there has been a continual stream of people moving to our land. They used their small savings to provide schools and to build churches. When they were able, they invested in enterprises and factories that made our modern standard of living possible. They

developed democracy from the time of the New England town meetings to the state and federal governments today. All this achievement means success. Therefore, the flag means that we have succeeded in the past and that we can hope to succeed in the future. It brings faith and hope to me.

As our flag represents the story of our democracy, it illustrates for me the achievements of the past and points toward success in the future. It reminds me that the qualities of faith, courage, sacrifice and ambition will be needed to preserve our democratic country.

(By Robert R. Clark)

(Mr. Clark, 16, Rockwood Road, Boston, is a junior at Eden Central High School and was winner of the Boys Division of the Erie County Public High School classification. His teacher is James G. Duffy.)

Each morning I stand in homeroom and pledge my allegiance to the flag hanging in the corner and to the "republic for which it stands." But, isn't that flag up there more than just something to say a few words to every morning? It stands for my country that I love, and to me the words in that pledge are real and meaningful.

There are many things wrong with my country. There is pollution in her water and her air, there is violence in her streets and hate in her cities, there is war away from home and war against that war at home. But, still I love my country and flag that stands for it.

Sometimes, when I look at the flag, I see only the red which reminds me of the blood men have shed to keep that flag in front of my room. That same red reminds me that some day my blood may be spilled in defense of that flag and the country it stands for.

The stars on the field of blue remind me of night. They remind me of nights men have spent in damp holes in the ground to protect my flag and my country. They remind me of nights men have died and of nights men have wept because of the loss of a friend or just at the folly and inhumanity of war.

But, when I look at the white, I think of the good my flag represents. I think of a great and beautiful country I can call mine, and I'm thankful. I realize that there are many things wrong with her: Pollution, dissent, racial prejudice, ghettos, withering ecology, and far too much hate. But, these things must not be blamed on America herself, but on her people. Someday her people will wake up and make right the injustices they've committed against her. Someday her people will stop hating and start loving one another. Best of all, someday everyone, not just the majority, but everyone will be proud, as I am, to be an American.

(By Frank J. Rusinski, Jr.)

(Mr. Rusinski, 11, 72 Hedley Street, Sloan, is a sixth grade pupil at Grover Cleveland Elementary School, Sloan, and was winner of the Boys Division of the Erie County Junior High School classification. His teacher is Gloria Spavento.)

There is a considerable controversy today about our American flag. Some people believe that it has lost its true meaning. Some people feel that the flag is nothing more than a piece of material. They have even used it for clothes and rags saying that is all it is worth. This makes me very angry because the flag is a symbol of America's past and it also serves to remind others of our great country.

Our country is not perfect but our flag is. Our flag should not be worshipped, but we should pay honor to what it stands for. We do not destroy churches simply because all people do not believe in Christianity; so we should not destroy our flag because all people do not believe in America.

When I see our flag I do not think of all the mistakes our country has made, I remember all the good things my country has done. I think of the very wise men who wrote our

Declaration of Independence and our Constitution. I think of the very brave men who have died in wars for our country's safety. I remember George Washington, Abraham Lincoln, and John and Robert Kennedy.

Symbolism is important even to the people who destroy our flag. They wear peace symbols. They grow their hair long to symbolize their independence from society. They dress in a way to show you they are different. I would never destroy any of their symbols or tell them that they are unimportant just because I don't believe as they do. I ask that they stop destroying my flag. They have their symbols and I have mine. This freedom of choice is what my flag represents.

(By Barbara J. Paradowski)

(Miss Paradowski, 16, 11357 Sisson Highway, North Collins, is a junior at North Collins Central High School and was winner of the Girls Division of the Erie County Public High School classification. Her teacher is Paul DeSantis.)

In the light of the season, America reflects her God given light with growing uncertainty. She is questioning, gradually diverging from the secure past she once enjoyed. As a citizen and part of America, I too am experiencing the profound uneasiness of my country as she battles living social specters and other products of her past. It is with this concept that I view the American flag.

Study halls afford time for contemplation, and it was during one of these study halls that I detected "Old Glory" rippling in the breeze. I stood witness as mother nature breathed life into the colorful soil and sent its groping edges into the unexpired depth of the sky. Almost immediately, visions of Lexington and Concord were brought to mind. I also imagined Francis Scott Key fervently scribbling words to the Star Spangled Banner and man implanting his first footsteps on the lunar surface. There, lumped in one piece of cloth lived America's glorious and unmatched past, a past where present and future seemed worlds apart. Discrimination, poverty, war, drugs . . . could these things also be represented by the courageous super symbol which boldly snapped at the air? Why did it seem so proud and yet so lonely?

Our flag is the bearer of our pride along with our sorrow. If this country is worth loving, then we must share the burden which the flag has carried for so long. Only we as citizens can restore to our flag the glory which it once knew.

I do not plan on deserting my flag or the country it symbolizes. I have no intentions of criticizing it until its colors fade from despair and its starched cloth withers beneath my criticism. Love is much stronger than hate, and only through the efforts of love will pride of past and present be restored to the American flag.

(By Raymond Kazmierczak)

(Mr. Kazmierczak, 13, 94 Fay Street, Buffalo, is an eighth grade pupil at St. Luke School, Buffalo, and was winner of the Boys Division of the Private and Parochial Elementary School classification. His teacher is Sister M. Edwardine.)

The American flag to me is a symbol of our country; a symbol of how our country starting with thirteen original colonies developed into one of the strongest nations in the world. To me the flag is a barrier protecting our free world against the world of communism. It is being united as one nation to uphold the flag. The flag stands for freedom for all people no matter if they are black, white, red, or yellow.

To me the flag represents the peace and tranquility of our nation. It is walking down the street and speaking freely; it is walking into any church without the fear of being thrown out or arrested. It means freedom of choice—being able to pick out anyone we want for our President. It is criticizing some-

thing we don't like or speaking up against someone we don't agree with in office.

To me, it is fighting anyone who tries to break up our country and it is not being oppressed by harsh laws but being governed by reasonable laws.

I think our flag means we should try to work for our freedom, for our peace, and for our happiness. It is working together and not against each other. Our flag stands for our country so it may be always united as states.

(By James S. Boczarski)

(Mr. Boczarski, 16, 115 Gualbert Avenue, Cheektowaga, is a junior at Bishop Turner High School and was winner of the Boys Division of the Private and Parochial High School classification. His teacher is Reverend Francis Braun.)

The thirteen stripes and fifty stars that fly over this land mean much more to me than just a design on a piece of cloth. For that design, which is displayed on automobile windows by middle class suburbanites, irreverently worn by dissatisfied college students, and pompously praised by insincere politicians is the same symbol that represents those suburbanites, students, and politicians. It is the same symbol that represents all Americans and their ideals.

When I see the Star Spangled Banner flying proudly over America, I think of the rich, bountiful soil that my country has given me, and my duty to keep it that way. I see the towering trees and sparkling rivers, the majestic mountains and crystal lakes, and my duty to preserve them. I see opportunity for me to advance in knowledge and position, and my duty to protect this opportunity for others. I see fair and just laws, and my duty to be fair and just myself. I see all the Americans, the pioneers and the patriots, the farmers and the industrialists, the workers and the statesmen, who have built my America; and I see the citizens of tomorrow, whose America I shall build.

With hope in my heart and strength in my arms, I will see to it that those who follow will be able to enjoy the America that I do, respect the flag that I do, and have a feeling of service as I do; because unless every resident of this country devotes his efforts to the preservation of his beliefs, there will be less of a flag for his descendants to fly.

Let us, then, dedicate ourselves to our home, and our emblem of red, white, and blue.

(By Margaret N. Harrigan)

(Miss Harrigan, 13, 217 Highgate Avenue, Buffalo, is an eighth grade pupil at St. Joseph School and was winner of the Girls Division of the Private and Parochial Elementary School classification. Her teacher is Sister Richard Marie.)

To me, the American flag means my homeland, the United States of America, a country rich in resources, vast expanses of land, and people, good, bad, black, red and white, but all Americans.

The stars on the flag represent fifty states joined together in one republic, sharing problems and good fortune. Though once divided, they were brought together again after a war, to be rebuilt into an even stronger nation. The thirteen stripes symbolize the first states which were the origin of our great country.

The American flag means everything our country and our citizens have done. I think of the great Americans who have lived through the years—poets, writers, presidents, scientists and political leaders.

The flag reminds me of the wise words of Thomas Jefferson, the Declaration of Independence, Lincoln's Gettysburg Address and the Constitution.

The American flag represents to me one of the strongest nations on earth. It shows me a country exploring the universe and landing men on the moon.

I see in it the freedom men fought for, and are now fighting for, in many places. The flag means to me the bloodshed in Vietnam, the lives lost in Korea and the two world wars.

Our flag stands for many different people, each unique, of many backgrounds, in a country where the people are the government.

When I see the flag, I think of July Fourth, 1776, when we became the United States of America, free from England.

The flag tells me I am an American, and feel proud! Our country isn't perfect, we have many problems. I see pollution, riots, drugs, poverty, racial discrimination and war when I look at the flag, but I can see, too, a country that I am glad to be a part of—the United States of America!

(By Jane Marie Daniels)

(Miss Daniels, 16, 310 South Third Street, Olean, was a junior at Villa Maria Academy, Cheektowaga, at the time of the contest and was winner of the Girls Division of the Private and Parochial High School classification. Her teacher is Sister Anne Marie.)

We were taught to honor it; times have made some hate it. It's considered a trademark of freedom, for it symbolizes justice, honor, and equality—long sought and fought for. But what does the American flag mean to me?

It means a heavy debt. I owe it much. Its inspiration to our country's leaders has given me the Constitution, the Bill of Rights, the 13th, 14th, and 15th Amendments. It also means my passport to a decent life, my self-respect, my dignity, my pride. It has given me the freedom to accept it or reject it. I have accepted it and it has treated me well. It is my freedom to laugh, to play, to work, to cry, to be myself.

Although troubled times may cast doubts on my acceptance of the flag, I realize that I myself have often been responsible for those doubts. What have I done to promote justice, lessen discrimination, support my fellow Americans, diminish poverty, or solve environmental problems? When our country fails, who do I blame—the government, the police, the politicians, my parents? I can only say "we."

"We the people of the United States" are to blame. I know we've made many mistakes in the past and there will be more in the future. But, the flag is also a hope—a hope that we have the patience and understanding the perseverance and courage to never give up searching for the truth.

The meaning the flag has for me will, I expect, continue to emerge, develop, and expand as I become more directly involved with the world and the people around me. I hope, however, that my present attitudes, my acceptance of the flag will influence my future behavior, so that the flag will always remain an important symbol of freedom to me.

**DEAF STATE BASKETBALL CHAMPIONSHIP WON BY HUDSON CAGERS**

**HON. DOMINICK V. DANIELS**

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Wednesday, April 7, 1971

Mr. DANIELS of New Jersey. Mr. Speaker, I am tremendously proud of the group of men in Hudson County who have won a remarkable victory in the New Jersey Athletic Association of the Deaf State Basketball Championship.

The team won its championship after a 14 to 0 winning season by sweeping the tournament in two games. This was the first time New Jersey had representation in the Eastern Tournament in 17 years.

Members of the team are: Tom Cooney, coach; Barri Snyder, captain; Mike Slomkowski; Desmond Hitchman; Peter Rozynski; Ray Sturm; Conrad Fleetwood; Mike Drury; Ralph Newberry, and Simon Bacino, manager.

I am inserting in the RECORD a newspaper story from the Jersey Journal of Feb. 15, 1971, which details their accomplishment. The insert follows:

**HUDSON DEAF CAGERS CAPTURE STATE TITLE; EYE EAST CROWN**

Hudson County will carry the banner of the New Jersey Athletic Association of the Deaf into the Eastern A. A. Championship Tournament later this season in Brooklyn. Tom Cooney's resourceful Hudson-Cagers won the New Jersey diadem and the coveted Jersey Journal Trophy Saturday with a brilliant triumph over the Delaware Valley quintet.

The score was 98-59 and the issue never was in at the Martin Luther King School, Jersey City, as coach Cooney's champions jumped off to a quick 14-4 lead.

Mike Slomkowski checked in with 26 rebounds and 20 points as he gunned the Hudson hoopsters' attack. Barri Snyder rolled up 17 rebounds as he aided Slomkowski in keeping the ball away from the agile Delaware squad.

Ray Sturm and Mike Drury bobbed up with a dozen assists apiece for Hudson. Others excelling for Hudson were Conrad Fleetwood, Desmond Hitchman, Pete Rozynski and Ralph Newberry. Hitchman had 20 points and Rozynski 14 while excelling on defense.

Singularly enough, the most valuable player award went to John White of Delaware Valley. He pumped in 23 points and was a bearcat on offense and defense all the way.

The tournament All-Star quintet comprised Slomkowski, Hitchman, White, Dom Garzarelli and Bill Kahley of Delaware Valley.

Pretty, pert Debbie Detzel of Jersey City was crowned Miss N.J.A.A.D. at a victory party held in the winner's clubrooms in Kearny.

Hudson County crashed into the finals by thrashing Garden State, 79-45, in the semifinals, while Delaware Valley ousted Philadelphia, 55-53. The Quaker City boys were heavy favorites but went reeling to defeat when Harry Warner converted two free throws with 16 seconds left.

Starring for Philadelphia were Robert Sheak, Frank Chesney and Bill Huttinger. White registered 18 points to cop scoring laurels.

Outstanding performers for Garden State were Ronnie Pastor and Pete Karamitas.

The scores:

Del. Valley		Hudson County	
G	P	G	P
Warner.....	4 10	Snyder.....	11 23
Coar.....	0 1	Fleetwood.....	4 8
Tomasello.....	0 0	Rozynski.....	0 7
White.....	10 23	Slomkowski.....	9 20
Ricci.....	0 0	Newberry.....	1 3
Kahley.....	4 12	Hitchman.....	10 20
Garzarelli.....	6 13	Sturm.....	4 8
		Drury.....	1 2
<b>Total.....</b>	<b>24 59</b>	<b>Total.....</b>	<b>47 98</b>
Delaware Valley.....	13 12 15	19-59	
Hudson County.....	19 28 27	24-98	

Del. Valley		Philadelphia	
G	P	G	P
Warner.....	4 12	Chesney.....	5 10
Goodwin.....	1 4	Sheak.....	6 14
White.....	7 18	Arbie.....	4 8
Kahley.....	4 8	Stradling.....	1 2
Garzarelli.....	4 11	Tapley.....	1 4
Coar.....	1 2	Kinsey.....	1 3
Wright.....	0 0	Caluruso.....	1 2
Aselle.....	0 0	Huttinger.....	4 10
<b>Total.....</b>	<b>21 55</b>	<b>Total.....</b>	<b>23 53</b>

Del. Valley.....	13 15 10	18-55
Philadelphia SAC.....	15 15 13	10-53

Garden State		Hudson County	
G	P	G	P
Gervasio.....	0 0	Snyder.....	6 13
Karamitas.....	5 12	Hitchman.....	8 19
Salch.....	3 10	Newberry.....	1 2
Lewis.....	4 8	Fleetwood.....	0 1
Munn.....	0 0	Slomkowski.....	5 13
Pastor.....	5 15	Sturm.....	4 8
		Rozynski.....	7 14
		Drury.....	3 9
<b>Total.....</b>	<b>17 45</b>	<b>Total.....</b>	<b>34 79</b>

Garden State.....	10 8 10	17-45
Hudson County.....	11 18 27	23-79

**DEBORAH STEVENSON WRITES ON THE DECLARATION OF INDEPENDENCE**

**HON. OLIN E. TEAGUE**

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Thursday, April 15, 1971

Mr. TEAGUE of Texas. Mr. Speaker, the young daughter of an acquaintance of mine has written a short paper on the Declaration of Independence which I would like to share with the Members of the House. Under leave to extend my remarks, I insert herewith "The Declaration of Independence—Its Origin, History, and Result," written by Miss Deborah Stevenson of Corpus Christi, Tex., at this point in the RECORD.

**THE DECLARATION OF INDEPENDENCE—ITS ORIGIN, HISTORY, AND RESULT**

(By Miss Deborah Stevenson)

Every man knows that one must have a firm foundation on which to build any structure. But even more important than the foundation is the ground on which one intends to build. This is exemplified in a parable. One man built his house on the sand. Another man built his house on a rock. When the winds came and the water rose, the man's house that was built on the sand was blown and washed away. But the man's house that was built on the rock stood firm. The Constitution of the United States of America is the foundation from which our America rises. But the Declaration of Independence is the ground on which the foundation of the Constitution was laid.

On the Fourth of July people ring bells and pop firecrackers to celebrate the birthday of a great nation—the United States of America. For this was the day that the members from twelve of the existing thirteen colonies voted to accept the Declaration. But it was not until July 8, four days later, that the common people learned the actual words. To these people, however, these words came as no surprise. The war against England had already begun. Lexington, Concord, and Breed's Hill were already dates in history. The spirit of independence had spread throughout the land. Many men were asking, "Is not America already independent? Why not declare the fact?"

But why were these men writing declarations of independence? Why were these men willing to fight a war with the recognized ruling power of the world? The answer can be found in the Declaration itself. The document begins with the statement that when it becomes necessary to sever bonds with a country that men have formerly cherished as their fatherland, the severers have a moral responsibility to list specifically all the reasons for the severance. And that is what the Declaration of Independence actually is. After his eloquent introduction, the famous document lists grievances against George III, King of England. Included is every wrong that he has committed against the colonies. Our forefathers close with a list of all the ways they have warned the English and a final resolution declaring the United States of America to be free.

But what does this mean for us today? Did our forefathers provide us with a better example of defending freedom than defying kings? Many years ago Shakespeare's *Macbeth* set an example for all who disliked their king. He simply killed his king and he himself took his king's place. But, alas, Macbeth realized the danger of his example: if someone tired of him, the malcontent could simply rid the country of Macbeth by killing him, too. The founding fathers provided through their example, enforced by the declaration, a superior way of defending freedoms.

When their freedoms were suppressed, they talked among themselves, felt public opinion, and finding opinion in their favor, rebelled. Now, with their example and observing all legal bounds, the spirit of freedom established in 1776 still lives. Women's liberation, ecology, the population explosion are the substance for drastic action. Brave men of purpose can make their wishes known in the same land where their ancestors provided the examples.

Certainly without the rock of the Declaration of Independence, the foundation of the Constitution and the house of America would crumble, as the man's house built on the sand did, and America would long ago have blown and washed away.

#### CONTINUING THE FOOD STAMP PROGRAM: WE CANNOT LET THE BEST BE THE ENEMY OF THE GOOD

HON. THOMAS S. FOLEY

OF WASHINGTON

IN THE HOUSE OF REPRESENTATIVES

Wednesday, April 7, 1971

Mr. FOLEY. Mr. Speaker, it is becoming apparent that the administration's war on hunger is really a retreat from the President's May 1969 pledge "to end hunger in America itself for all time."

In the 22 months since that pledge, the progress made is being overshadowed by the administration's steps backward: The elimination of the emergency food and medical services program of the Office of Economic Opportunity; its opposition to efforts to increase the food-stamp appropriations for fiscal year 1971, even though the proposed appropriation level was insufficient; and its support for the restrictive House Agriculture Committee food-stamp bill over the widely bipartisan and more generous substitute when the food stamp program came up for extension last December.

Now it appears that the administration is about to take another long step backward. If food stamps are eliminated in the family assistance plan in favor of

a \$2,400 minimum income, a proposition which the administration supports, the ability of a poor family to purchase even the "economy diet"—estimated to be \$1,272 for a family of four—is greatly reduced. In order to consume this basic diet once food stamps are eliminated, a family of four would have to spend \$106 of its allotted \$200 monthly income on food. We should all be aware of the fact that food is the most expendable item in the family budget; it is purchased with the money which remains after the rent, utility bills, and medical expenses are paid. As long as the proposed minimum level of assistance is less than adequate, the food stamp will be necessary to insure that a family has the ability to purchase a basic diet. If we fail to insure this, we will not only perpetuate poverty, but hunger and malnutrition as well.

The editorial I place into the RECORD at this time, "Whatever Became of the Hunger War?" by Nick Kotz, raises some fundamental questions about the adequacy of the family assistance plan's proposed minimum income. I hope that we will all carefully consider these questions as time nears for Congress to act on the family assistance plan.

The editorial follows:

WHATEVER BECAME OF THE HUNGER WAR?

(By Nick Kotz)

When he pledged in 1969 "to put an end to hunger in America itself for all time," President Nixon stressed "I not only accept the responsibility—I claim the responsibility." Twenty-two months later, questions arise whether the President remains fully committed to his pledge and whether he has abdicated the responsibility to the House Ways and Means Committee.

The President and Congress can share credit for responsible reforms in the food stamp and school lunch programs, which are easing the plight of at least some of the 25 million Americans who simply do not have enough income to purchase a minimally adequate diet.

But at the moment when a major breakthrough seems possible in eliminating the shame, pain and devastation of American hunger, the Nixon administration and key members of Congress have suddenly marched off in a new direction.

The administration and Rep. Wilbur Mills (D-Ark.), chairman of the House Ways and Means Committee, have agreed on a tentative welfare plan that would both eliminate food stamps and endanger even the present inadequate welfare benefits to the poor in 45 states. The relief recently granted the hungry poor could be swept right back off their plates.

The foundation of President Nixon's May, 1969 commitment to end hunger was a generous food stamp program. In his message to Congress, the President stressed that the poorest should get free food stamps and that no poor family should spend more than 30 per cent of its income for food stamp aid. These were important, if little understood principles.

These presidential food aid principles recognized that food is the item most often slighted in a poor man's tenuous budget.

Take a family of four living on \$200 monthly (\$2,400 annual) income. The Agriculture Department says a four-person family must spend \$106 monthly (\$1,272 annually) to purchase an "economy diet" and \$134 monthly (\$1,608 annually) to buy a "low-cost diet." The monthly demands of the landlord alone means that such a family cannot regularly, if ever, make the financial commitment to adequate nutrition. Millions

with less income have far greater food problems.

That's where the food stamp program came in. The family spent \$60 monthly out of its \$200 total income to receive \$106 in stamps, used at groceries to buy food. The \$552 in food stamp bonuses raised the family's total income from \$2,400 to \$2,952.

This is a complicated "second money" system. It demeans the poor. It requires them to allocate a fixed percentage of their income for food. It does not help the poor meet their many other needs for which they don't have money. Adequate cash income obviously is preferable. But it does get food on the plate and 10 million people have flooded into the program. The number will soon rise to 15 million.

The original Nixon administration Family Assistance Plan called for families to retain their food stamp benefits.

And significantly, the President told Congress, "In no case would anyone's present level of benefits be lowered." States were required to maintain welfare benefits that were above the President's \$1,600 federal payment for a family of four.

But for the moment at least, officials of the administration and members of the Ways and Means Committee have renounced both food stamp aid and the principle that no one would lose benefits.

Take the family of four with \$2,400 welfare income. This family would still get a minimum of \$2,400 with the federal government now paying the entire amount. It would lose its \$552 in food stamp bonuses. The family's effective income would decrease unless the state voluntarily maintained its former contribution to welfare and made up for the food stamp loss. States have never paid for any part of the food stamp program and are not likely to start doing so now. States would not be required to spend a dime. Many state officials would be pressed to use all their welfare savings for state tax relief.

The poor in only five Southern states would be guaranteed an increase in benefits. The hungry poor could be right back where they started. To avoid this possibility, the President pledged originally that food stamps would be retained until a cash income program was truly adequate.

Hopefully, the administration will remember its own food program history lessons better than Vice President Agnew did last week in criticizing CBS's 1968 documentary "Hunger in America." This is the same program President Nixon praised on Feb. 3, 1969, for arousing the nation's conscience to the horrors of hunger in our affluent midst.

Following the Vice President's revisionist view of history, the Office of Economic Opportunity no longer lends the CBS film on grounds that it is "one sided." It showed the side of emaciated, hungry children. What is the other side?

Congress and the President may tell us as they decide what constitutes "welfare reform."

#### MAN'S INHUMANITY TO MAN—HOW LONG?

HON. WILLIAM J. SCHERLE

OF IOWA

IN THE HOUSE OF REPRESENTATIVES

Thursday, April 15, 1971

Mr. SCHERLE. Mr. Speaker, a child asks: "Where is daddy?" A mother asks: "How is my son?" A wife asks: "Is my husband alive or dead?"

Communist North Vietnam is sadistically practicing spiritual and mental genocide on over 1,600 American prisoners of war and their families.

How long?