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*VETOED
2/13/76
Delivered to the clerk
of the House 2/13/76 (12:10pm)*

*Signed
2/13/76*

THE WHITE HOUSE

WASHINGTON

ACTION

February 13, 1976

MEMORANDUM FOR

THE PRESIDENT

FROM:

JIM CANNON 

SUBJECT:

Veto Message on H.R. 5247

Attached for your signature is a veto message to the House of Representatives on H.R. 5247, the Public Works bill. It has been reviewed and approved by Bill Seidman (Porter), Jim Lynn (Collier), Alan Greenspan and Robert T. Hartmann (Smith).

RECOMMENDATION

I recommend that you sign the veto message at Tab A.





EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

FEB 7 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 5247 - Public Works Employment
Act of 1975
Sponsor - Rep. Jones (D) Alabama and 15 others

Last Day for Action

February 13, 1976 - Friday

Purpose

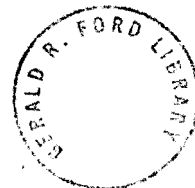
To provide Federal assistance to State and local governments to alleviate the problems of cyclical unemployment; to establish a new urban renewal grant program in Commerce for cities with populations over 50,000; and to increase Federal grants for wastewater treatment facilities.

Agency Recommendations

Office of Management and Budget	Disapproval
Department of Commerce	Disapproval (Veto Message attached)
Department of Labor	Disapproval
Department of the Treasury	Disapproval
Council of Economic Advisers	Disapproval
Department of Housing and Urban Development	No response
Environmental Protection Agency	No objection (<u>Informally</u>)

Discussion

H.R. 5247 is intended to provide jobs quickly for the unemployed -- its sponsors claim that it would provide 600,000 to 800,000 jobs. However, a more realistic estimate based on experience would be 250,000 jobs over 5 years or more, with a peak impact of only 100,000 to 120,000 jobs. The Administration has indicated to the Congress that the bill would be vetoed.



Title I of the enrolled bill would authorize a new \$2.5 billion program in the Commerce Department through fiscal year 1977 to provide Federal grants to State and local governments to cover 100% of the costs to construct, repair, renovate or improve any public works project. Grants could also be made both to cover 100% of the State and local shares of other federally assisted public works projects and up to 100% of the State or local share of public works projects authorized under State or local laws. At least 70% of the funds would have to go to areas having unemployment rates in excess of the national average, but not less than one-half of 1% or more than 10% could go to any one State. Priority would be accorded projects of local governments. The Secretary of Commerce would have to act on each application for assistance within 60 days of receipt, or the request would be automatically approved. Grants would be made only if the Secretary received what he deemed as "satisfactory assurance" that, if Federal funds were made available, on-site labor could begin within 90 days of approval of the project.

The Administration strongly opposed this Title when it was being considered by the House. First, public works projects are a notoriously slow and costly means of creating jobs and the peak impact would be expected in late 1977 or early 1978 when the economy will be well on the road to full recovery. The cost of producing jobs would probably be in excess of \$25,000 per work-year.

Second, the bill would probably do little to help the specific problems of areas which may have extraordinarily high unemployment but relatively little demand for construction jobs, even though additional construction might have some ripple effect on unemployment in other areas.

Third, it would direct resources into new or expanded government facilities which would have to be maintained or operated at public expense, rather than income-producing industrial or commercial facilities.

Finally, this type of 100% Federal funding is contrary to the Administration's policy against categorical assistance programs. It would reduce or remove State and local incentives to either set investment priorities or to conduct careful project reviews.



Title II of the enrolled bill would provide "countercyclical" revenue sharing assistance to State and local governments for the maintenance of basic services. Assistance would be authorized for five quarters beginning April 1, 1976. One-third of the funds would be reserved for States and two-thirds for local governments. Undistributed amounts would be reserved in a Contingency Fund for emergency support grants to State and local governments in severe fiscal difficulty.

The Title authorizes \$125 million for each quarter that unemployment reached 6%, plus \$62.5 million per quarter for each half percentage point that unemployment exceeded 6%. At the unemployment rates projected in the 1977 Budget, an appropriation of \$1,625 million would be authorized for the five quarters.

This type of countercyclical aid could encourage the further expansion of spending by State and local governments. The assistance under this bill would take pressures off the State and local governments to economize. When this proposed special assistance program nears expiration after five quarters, there would be immense pressures to continue the assistance indefinitely.

Title II also allocates funds in part on the basis of what a city spends rather than what it needs. The distribution formula which includes computations of the unemployment rate and the jurisdictional tax rate would provide more funds to local governments with higher tax bases, including those which have been least efficient at holding down costs. This results in severe distortions in the allocation. New York City would receive the largest amount--\$150 million--almost four times as much as Detroit, the second largest beneficiary, which would receive only about \$40 million.

Title III of H.R. 5247 would authorize funds for several Federal assistance programs:

- an additional \$1.4 billion in FY 1977 for the Environmental Protection Agency's wastewater treatment grants program;
- an additional \$125 million in FY 1976 for Commerce's Economic Development Administration (EDA) program to provide interest subsidies to businesses receiving commercial loans which are guaranteed by EDA;



- \$500 million to extend EDA's Job Opportunities program through fiscal year 1976 and the transition quarter. The program would be amended to redirect the bulk of these funds to State and local government programs and to areas with unemployment above the national average; and
- \$100 million for EDA assistance in 1976 and the transition quarter to cities with a population of 50,000 or more and an approved economic development program. Such assistance may be used by cities for urban economic redevelopment, or any other investment which will "accelerate recycling of land and facilities for job creating economic activity."

The \$1.4 billion new authorization for the EPA wastewater treatment program would have almost no impact on job opportunities in the near future. Of the \$18 billion already allotted to States for wastewater treatment facilities, \$10 billion has not yet been obligated.

The interest subsidy provision would result in grants to private firms and it would be very difficult to allocate the subsidies to those firms which would have the greatest impact on reducing unemployment.

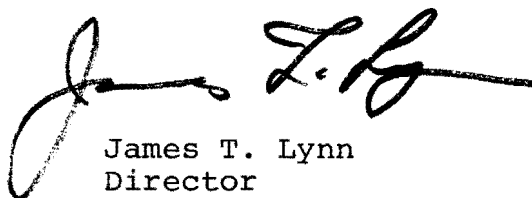
The Job Opportunities program has been consistently opposed by the Administration as being a costly means of creating temporary jobs as well as being administratively unwieldy.

The amendment to make cities over 50,000 eligible for EDA assistance could get EDA into a major new and costly urban renewal role. It would be a step in reestablishing categorical grant programs for urban development less than two years after Congress replaced a nearly identical program in HUD with the broad, more flexible, Community Development block grant program.

The bill contains total authorizations of \$6.3 billion; outlays in 1977 could be over \$2.5 billion if the funds were appropriated. While it is unlikely that Congress would appropriate the full amounts authorized, enactment of this bill would almost certainly result in a substantial increase in appropriations.



We have prepared a draft veto message and have submitted it separately for your consideration.

A handwritten signature in black ink, appearing to read "James T. Lynn". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

James T. Lynn
Director

Enclosures

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

[1976]

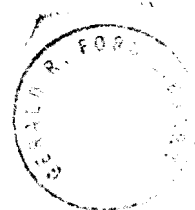
January 5, 1975

Dear Mr. Frey:

This is in response to your request for my comments on the enrolled bill. "Public Works Employment Act of 1975." I urge that the President veto this bill as it is inconsistent with our policies of controlling Federal expenditures and of encouraging fiscal responsibility among state and local governments.

Titles I and III provide for a substantial expansion of Federal subsidies for public works projects, in terms of funding, extending the program to cities and a specific \$1.4 billion program for waste treatment facilities. Much of the funding is for the Appalachian area, which in general is no longer a depressed area as it had been when the Public Works and Economic Development Act was enacted in 1965. Public works projects are inefficient counter-cyclical tools as the projects require a long lead time for starting, are expensive to slow down or terminate as economic conditions change, and are not necessarily targeted to the regions and skills of persons suffering from cyclical unemployment. Indeed, it may be inefficient to attempt to attract the temporarily unemployed to a long-term construction project. Our concern should be with increasing job opportunities for people, rather than targeting aid to areas that may no longer be efficient places to locate additional jobs. Since the Davis-Bacon Act applies, a major effect of these titles may be to encourage further increases in construction union wages.

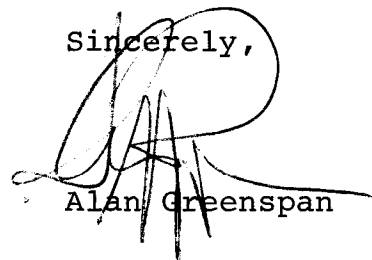
Title III provides emergency assistance grants to state and local governments in financial difficulty because they cannot, or do not wish, to raise taxes, lower expenditures or increase borrowing. Fiscal discipline for state and local governments is



important to control the growth of the public sector. Title III would provide a signal to them that when they are in fiscal difficulty the Federal Government will bail them out.

The objectives of the proposed Act, creating jobs and aiding state and local governments could better be accomplished by more general expansionary measures than by an increase in expenditures for public works and countercyclical revenue sharing. For example, a reduction in Federal personal and corporate income taxes would increase spending for consumption and investment, and would make it easier for state and local governments in financial difficulty to ease their burden by raising taxes.

Sincerely,



Alan Greenspan

Mr. James Frey
Assistant Director for
Legislative Reference
Office of Management and Budget
Washington, D. C. 20503





THE GENERAL COUNSEL OF THE TREASURY
WASHINGTON, D.C. 20520

JAN 21 1976

Director, Office of Management and Budget
Executive Office of the President
Washington, D.C. 20503

Attention: Assistant Director for Legislative
Reference

Sir:

Reference is made to your request for the views of this Department on the conference report on H.R. 5247, "To authorize a local public works capital development and investment program."

Title I would authorize the Secretary of Commerce to make or increase grants for public works projects.

Title II would authorize the Secretary of the Treasury to make emergency support grants to States and to local governments whose unemployment rate was at least six percent when the national rate of unemployment exceeded six percent. This program is often referred to as "countercyclical assistance". There would be authorized for the emergency grants for five calendar quarters, \$125,000,000 plus \$62,500,000 for each one-half percent that unemployment exceeds six percent.

It is the Department's view that specific Federal actions directed toward achieving economic recovery and mitigating the effects of unemployment provide a better approach than would countercyclical assistance toward correcting the fiscal difficulties faced by State and local governments. Such actions will ameliorate the underlying reasons for the problems that exist. Federal initiatives, such as extended unemployment compensation and tax reduction, will be much more effective in achieving economic recovery than would be setting up a broad, automatic intergovernmental assistance program.

Enactment of countercyclical assistance as a new spending program, in addition to those resources already committed in our attempt to return to economic stability, would both further add to the serious Federal deficits we face this year and next year. At the same time, because changes in the rate of unemployment tend to lag several quarters behind changes in the level of economic activity, use of the unemployment rate as a spending trigger for the program would extend economic stimulation beyond the early stage of recovery, thereby generating or accelerating inflationary pressures.



There is always a wide variation in the revenue and expenditure outlook facing individual State and local governments, and the local unemployment rate does not necessarily reflect a jurisdiction's fiscal outlook. Even today, many localities are able to maintain full municipal services without finding it necessary to raise taxes. Under the proposals, however, such local governments would be entitled to receive Federal grants. State-local governments historically have tended to accumulate budgetary reserves in good years to allow them to maintain expenditures (without major tax increases) in bad years. If they no longer need to be as provident because of Federal countercyclical aid, they will raise expenditures in good as well as bad years. The net effect of these programs could, therefore, be an expansion of State and local government spending without much effect on the stability of such spending.

Even with regard to those governments that would need aid to maintain services, sufficient distinction is not made between communities on the basis of either tax effort or tax structure. A State or city with a low income level that taxed its own citizens heavily to maintain services would not get a higher level of benefits than would a wealthier jurisdiction that put forth a relatively lower tax effort.

Furthermore, the measure would add one more uncontrollable program to the Budget, reducing both the President's and Congress' flexibility. The President is committed to restraining the growth of Federal spending and has advocated a Federal budget of \$395 billion for fiscal year 1977. This is a crucial first step toward balancing the budget in three years. With regard to State and local budgetary planning, countercyclical grants would, in many instances, be built into local government-based programs and would place such programs in deficit status when the grants were phased out, to the extent that local revenues did not increase as employment increased.

The Department is sympathetic to the plight of State and local governments faced with fiscal crisis because of unemployment and recession. We recognize that governments have had to cut services being provided to their citizens and to increase tax burdens in order to respond to conditions that they are facing. At the same time, we do not believe that countercyclical assistance, which would represent a substantial increase in new Federal spending on top of the about \$60 billion now going annually into grants-in-aid to State and local governments, is a desirable approach to resolve these problems. The funds that would be distributed to individual



communities would certainly be of benefit to them. However, because funds would be distributed widely, the proposals would probably not make a critical difference to the fiscal survival of any of them. In contrast, viewing things from the Federal perspective, it is our conclusion that adding to deficit spending could have a very adverse impact on the economic recovery necessary for all segments of our economy, including local governments, to again prosper.

The Administration has already announced its vigorous support for the extension of the General Revenue Sharing program. We believe that this program, which currently provides over \$6 billion a year to State and local governments, is effective in providing a reasonable level of general fiscal assistance to governments throughout the Nation. When considered along with categorical and block grants presently going to State and local governments, we feel that the total amount of Federal aid committed under existing programs is the maximum that we can responsibly provide, given the economic and fiscal conditions we face.

Section 301(b) of title III would amend the Public Works and Economic Development Act of 1965 to authorize the Secretary of Commerce to pay up to 4 percentage points of the interest on loans guaranteed under the loan guarantee program conducted by the Economic Development Administration. Because the amendment does not contain a requirement that the borrower demonstrate a need for this interest subsidy, it could result in substantial costs with no offsetting benefits to the Government.

In view of the foregoing, the Department recommends that if both Houses agree to the conference report, the resulting enrolled enactment should not be approved by the President.

Sincerely yours,



Richard E. Albrecht
General Counsel
Richard E. Albrecht

U. S. DEPARTMENT OF LABOR
OFFICE OF THE SECRETARY
WASHINGTON

JAN 21 1976

Honorable James T. Lynn
Director
Office of Management and Budget
Washington, D. C. 20503

Dear Mr. Lynn:

This is in response to your request for our views on the Conference Report on H.R. 5247, an act cited as the "Public Works Employment Act of 1975."

Title I of the bill would authorize the Secretary of Commerce to make grants to State or local governments for the construction of public works projects. Up to two and one-half billion dollars would be authorized to be appropriated for this purpose.

Title II of the act would provide emergency financial assistance to State and local governments during periods of high unemployment. It would assist financially hard-pressed State and local governments so that they would not offset national economic policy in times of recession by increasing taxes and decreasing State and local government employment.

The program would trigger in after three consecutive months in which the national unemployment rate was 6 percent or more. Further, as unemployment decreases, assistance would decrease and would trigger off when the national unemployment level fell below 6 percent. State and local governments whose unemployment rate dropped below 6 percent would not receive assistance.



The funds would be divided: One-third would go to State governments; two-thirds to local governments on the basis of an allocation formula giving a two-thirds weighting to local/State unemployment and a one-third weighting to the amount of local/State taxes. Up to \$125 million would be authorized to be appropriated for each of 5 succeeding calendar quarters beginning with April 1, 1976, if the national seasonally adjusted unemployment rate reaches 6 percent. For each one-half percentage point of unemployment over 6 percent, an additional \$62.5 million would be authorized for that quarter.

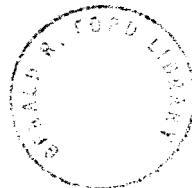
Title III of the act would increase from \$75 million to \$200 million the authorization for appropriations for fiscal year 1976 to carry out the provisions of sections 201 and 202 of the Public Works and Economic Development Act of 1975. Those sections authorize the Secretary of Commerce: (1) to purchase debts of or make loans to public or private, nonprofit entities to assist in financing the purchase or development of land and improvements in redevelopment areas for public works otherwise federally assisted; (2) to purchase debts of or make loans to private, for profit entities to assist in financing the purchase or development of land and facilities in redevelopment areas for commercial usage.

The bill is intended to provide a direct stimulant to the economy by creating a program of federally financed public works projects and federal aid to State and local governments.

In my judgment this bill does not represent sound short-term countercyclical policy during a period in which economic recovery is underway.

First, with respect to Title I, public works programs often produce tangible but long-term results. The implementation of such a \$2.5 billion program now would not bear results until much later, when recovery of our economy is even further advanced.

Thus, the economic effect of Title I would be to contribute to an inflationary competition for limited resources at some future date, rather than assisting now in the economic recovery.




Second, with respect to Title II, although I agree that the present economic problems have imposed considerable hardship on State and local governments, the pace of current recovery, together with these governments' existing powers and resources are adequate for the existing situation.

Accordingly, on this basis, I recommend that the President not approve H.R. 5247.

We note as a technical matter, that it would be difficult for this Department to implement the unemployment rate data provisions required by the formula for distribution of funds under Title II. We are enclosing a summary of these problems.

Sincerely,


Secretary of Labor

Enclosure



Comments on Statistical Requirements of
Title II - H.R. 5247

Section 203 would provide a formula for allocation of funds to States and local governments. A key factor in the formula is the unemployment rate. For States, the unemployment rate would be determined by the Secretary of Labor (sec. 203(b)(3)(D)), The State "excess unemployment percentage" would be determined by subtracting the rate from the base period rate: the average annual rate of unemployment in the State determined over the period which begins on January 1, 1967, and ends on December 31, 1969, as determined by the Secretary of Labor (sec. 203(b)(B) and (C)).

It should be noted that presently data are not available for all States on a comparable basis prior to 1970. These data could be developed for the years 1968 and 1969 with added resources. The year 1967 presents a problem because there was a change in the definition of labor force statistics in that year. Accordingly, we believe that the base period should be 1968 and 1969. Also there is a question as to whether the unemployment rate for a calendar year quarter should be seasonally adjusted. No mention is made of seasonal adjustments in the present section 203(b)(3)(D). Provision for seasonal adjustments should have been included.



Our major concern, however, is with the proposed development of unemployment rates for local governments. It would be absolutely impossible in the foreseeable future to provide adequately developed unemployment rates for all the local governmental units called for by this Act. This difficulty would in part be alleviated by section 203(c)(3)(D). That section would provide that if "local unemployment rate data ...for a local government jurisdiction is unavailable to the Secretary or the State for the purposes of determining the amount to be set aside for such government...Secretary or State shall determine such amounts - by using--

"(i) the best available unemployment rate data for such government if such data is determined in a manner which is substantially consistent with the manner in which local unemployment rate data are determined, or

"(ii) if no consistent unemployment rate data are available, the local unemployment rate data for the smallest unit of identifiable local government in the jurisdiction of which such government is located."



This provision would provide great latitude in making determinations of local unemployment rates. It is also questionable whether unemployment data now available for "identifiable local governments," which are defined as a "unit of general local government for which the Secretary of Labor has made a determination concerning the area of unemployment for purposes of Title II of the Comprehensive Employment Training Act of 1973" (CETA), would have meaning for the purposes of this legislation. CETA title II areas are geopolitical areas that are not necessarily political entities or labor market areas. Moreover, estimates for these areas are reviewed only when the CETA allocation is to be made. To develop and review data quarterly would require substantial additional resources.



THE UNDER SECRETARY OF COMMERCE
Washington, D.C. 20230

FEB 9 1976

Honorable James T. Lynn
Director, Office of Management
and Budget
Washington, D.C. 20503

Attention: Assistant Director of Legislative Reference

Dear Mr. Lynn:

This is written in response to your request for the views of the Department regarding the Conference Report on H.R. 5247, a bill

"To authorize a local public works capital development and investment program."

The Department of Commerce is certainly aware of the seriousness of current high rates of unemployment, especially in the construction and materials industries, and of the many problems which confront both State and local governments in their efforts to provide adequate public facilities in a period of high inflation. This Department supports the goal of rapidly decreasing the unemployment rate, but H.R. 5247, as explained in the Conference Report, creates an additional Federal spending program of tremendous magnitude, and its enactment would severely hamper the effort being made by the Administration to control Federal expenditures in this time of inflation.

Title I of the Conference Report appropriates two and one-half billion dollars for the purpose of authorizing grants to States and local governments for construction, repair, or other improvement of local public works facilities, including projects for which Federal assistance is already authorized by other acts of law. The Federal share of these projects will be 100% of the cost. The Secretary is also authorized to make grants for the purpose of increasing the Federal contribution to 100% of the project cost on any Federally assisted public works projects authorized by any other Federal law, where the assistance is immediately available and construction has not been started.



Title III of the Conference Report amends PWEDA to increase its authorization for fiscal year 1976 from \$75 million to \$200 million dollars for public works and development loans and adds an interest subsidy program which expires December 31, 1976. It also authorizes the Secretary to designate as a "redevelopment area", any city with a population of over 50,000, and authorizes the expenditure of \$50 million for fiscal year 1976 and \$50 million for the transition period in cities so designated.

Title III of the Conference Report further amends PWEDA by providing for an additional authorization of \$500 million to extend the Job Opportunities Program. Moreover, the program would automatically come into effect when national employment equals or exceeds 6 1/2% for 3 consecutive months. (These funds are in addition to any other funds authorized by law elsewhere.) It further authorizes an additional \$1,417,968,000 for fiscal year 1977 to carry out provisions of Title II of the Federal Water Pollution Control Act.

Title II of the Conference Report does not affect the Department of Commerce, but authorizes an expenditure of at least \$500 million annually and an additional \$250 million for each percentage point that the national seasonably adjusted unemployment rate is greater than 6%.

The Department of Commerce recommends against enactment of the bill primarily because of the additional Federal expenditures which it proposes. Such expenditures run directly counter to the Administration's proposal to provide a one-year moratorium on Federal spending programs other than energy programs, and do not represent the moderation in fiscal policy which the Administration feels is essential at this point in our economic recovery.

There are also certain technical aspects of the Conference Report which are of concern to this Department. These include the provisions of Title I which set forth a 30-day time limit for issuing regulations and establishing administrative procedures, and the requirement that a project application that is not approved or disapproved within 60 days of its receipt is automatically approved.

The first time constraint provides insufficient time to implement the Bill and could possibly result in unmanageable program problems. The second time constraint could lead to approval of projects not sufficiently related to the purposes of the Bill, or to denying applications with problems that might have been resolved were it not for the 60-day automatic approval requirement.

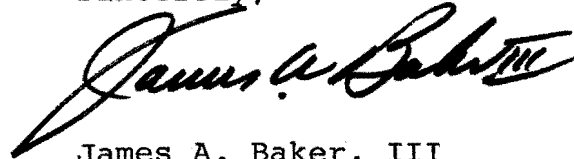
Another concern of the Department is Section 405 of Title III. This Section would permit the Secretary of Commerce to designate as a "redevelopment area" any city with a population of 50,000 or more which has submitted an overall economic development program and had it approved. The Bill provides no criteria which must be met in order to receive funding under this program - other than population - and could result in grants to cities which have low unemployment rates thereby diverting funds from cities which suffer the most from unemployment.

The Conference Report also provides that as long as the national unemployment rate is 6 1/2% or more, the Secretary must give priority consideration to applications from areas in excess of the national rate. The unemployment statistics must be those of the three most recent consecutive months. Such a requirement could possibly create administrative problems in that the statistics furnished by other agencies of the Federal government may involve a time lag of up to nine months, and it might be impossible to obtain accurate figures representing the three most recent consecutive months as required.

For the foregoing reasons, the Department of Commerce opposes enactment of the Conference Report to H.R. 5247.

I have enclosed herewith a proposed veto message for your consideration.

Sincerely,



James A. Baker, III



Enclosure

To the House of Representatives:

I return without my approval H.R. 5247, the Public Works Employment Act of 1975.

As you know, it has been a consistent policy of this Administration to oppose new programs which seek to increase spending on the part of the Federal government during the current inflationary period. My belief has been that we must utilize more effective budget control and fiscal restraint in order to prevent increased deficit spending and to help restore a reasonable balance between revenue and expenditures.

I emphasized this point last year in my State of the Union message when I asked for a moratorium on new Federal spending programs, except for those relating to energy and essential national security needs. The increased expenditures authorized in H.R. 5247 do not represent the moderation in fiscal policy essential to this country's economic recovery. Nor are these expenditures consistent with the intent of Congress as expressed in the recently passed Tax Reduction Act, (H.R. 9688), wherein the Congress agreed to work toward a reduction in the level of Federal spending. The programs outlined by this bill, if implemented, would authorize the spending of approximately \$6.3 billion dollars in additional funds for public works and employment projects. The nature of these programs is such that the actual spending occurs in the second or third year after projects are initiated. Thus, a massive infusion of Federal money into the economy would occur just at a time when present economic indicators suggest that we will be well along the road to full recovery.

It is my belief that with such a stimulus at that time, we might once again risk a renewal of double-digit inflation. This would be totally counter-productive to our efforts



thus far to combat and bring under control the inflation which has been eroding the dollars in the pocketbooks of the American people. This we cannot and will not tolerate.

For this reason I return H.R. 5247 with the request that Congress now promptly consider and take favorable action on my recommendation to extend the existing Public Works and Economic Development Act for three years as contained in H.R. 9398 and S. 2228. I also urge that the Congress, in the interest of fiscal responsibility, approve the appropriation requests I have included in the 1977 budget for the economic development programs authorized by that Act. The funds I requested are, in my judgment, the amount that can be used effectively to stimulate long-term economic development.





UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

WASHINGTON, D.C. 20460

FEB 9 1976

THE ADMINISTRATOR

Dear Mr. Lynn:

This is in response to your request of February 2, 1976 for the Environmental Protection Agency's views and comments on H.R. 5247, an enrolled bill, cited as the "Public Works Development Act of 1975."

The purpose of this bill is to authorize a local public works capital development and investment program. Title I of the bill would allow the Secretary of Commerce acting through the Economic Development Administration to make both direct and supplemental grants to State and local governments for the construction, renovation, repair or other improvement of public works projects. Consideration must be given to the extent and duration of unemployment in the project areas.

Title II provides emergency Federal assistance to States and local governments to coordinate budget related actions by such governments with Federal government efforts to stimulate economic recovery. The State and local governments for which certifiable unemployment data now exists under the Comprehensive Employment and Training Act (CETA) program would be eligible for this assistance.

Title III makes authorizations available for the payment of interest supplements under the Public Works and Economic Development Act of 1965. Further, the bill provides for grants to cities with a population of 50,000 or more which have submitted to and have had approved by the Secretary overall economic development programs.



Section 311 of the bill provides, for the fiscal year ending September 30, 1977, an authorization not to exceed \$1,417,968,050 (subject to such amounts as are provided in appropriation Acts) for the construction of sewage treatment facilities under Title II of the Federal Water Pollution Control Act. These funds are to be in addition to funds otherwise authorized to carry out that title. States eligible for these funds are those which would have received larger allotments had the \$9 billion in impounded funds been allocated on the basis of a formula which weighted the projected 1990 population and the 1974 "Needs" equally. Funds received under section 311 will be available until expended.

The Administrator of the Environmental Protection Agency is also required to report to Congress within 45 days of enactment on his recommendations for a formula for future new authorizations under Title II of the FWPCA.

The Environmental Protection Agency defers to the Department of Commerce and other appropriate Federal departments and agencies for comment on Titles I, II, and III of H.R. 5247 with the exception of section 311 of Title III.

With respect to section 311 of the enrolled bill, if this funding were expended on the construction of sewage treatment facilities, we believe there would be a net positive effect on the environment as well as on employment levels. It should be noted that employment would be accelerated by this proposal at the estimated rate of 40,000 jobs per billion dollars in funds expended for construction.

In view of this, the Environmental Protection Agency has no objection to the enactment of H.R. 5247.

Sincerely yours,

Allen L. Allen
for Russell E. Train

Honorable James T. Lynn
Director, Office of Management
and Budget
Washington, D.C. 20503





EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

DATE: 2-11-76

TO: Bob Linder

FROM: Jim Frey

Attached is the HUD views
letter on H.R. 5247 for inclu-
sion in the enrolled bill file.





THE GENERAL COUNSEL OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D. C. 20410

February 10, 1976

Mr. James M. Frey
Assistant Director for
Legislative Reference
Office of Management and Budget
Washington, D. C. 20503

Attention: Miss Martha Ramsey

Dear Mr. Frey:

Subject: H. R. 5247, 94th Congress
Enrolled Enactment

This is in response to your request for the views of this Department on H. R. 5247, the proposed "Public Works Employment Act of 1975".

This enrolled bill contains three titles whose primary purpose is to reduce unemployment while stimulating national economic recovery by providing Federal funds to States and localities for public works projects (title I); for maintenance of basic governmental services (title II); and for public works and urban redevelopment activities (title III).

This Department believes the enrolled enactment has many serious weaknesses. It would create a massive public works program to alleviate certain cyclical economic problems faced by States and localities as a result of adverse economic conditions, at a time when those problems are beginning to abate. Only a relatively small portion of the enormous total cost of H. R. 5247 would be available in the short-term, while titles I and III of the enrolled bill would require continuing outlays for many years, regardless of the condition of the economy.

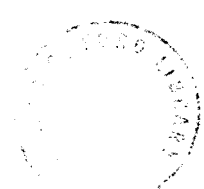
Title I, in particular, suffers from this defect, since it would authorize funds for public works until 1977. Such funds would not be utilized, given the long lead times for such projects,



until late 1977, 1978, or beyond, when the present economic recovery is anticipated to be in full swing. Also, title I's requirement for 100 percent Federal funding of projects could reduce or remove incentives for recipients to conduct careful project reviews and oversight and to weigh the priority of each proposed project against other competing local priorities. Additionally, title I would authorize what is essentially a new categorical public works grant program at a time when the Administration has been actively advocating consolidation of such programs.

Further, title II, a public service employment program, would base formula allocations on the amount of State and local taxes. As a result, fund allocations would not be strictly related to actual needs. More funds would be provided to those governments with higher tax bases, including those which have been least efficient in holding down costs. Title II also might encourage escalation in State and local public employee wage settlements, since part of the cost of such settlements would in effect be paid by the Federal government for as long as the relevant unemployment rate remained above 6 percent. Further, as noted above, it could be difficult to terminate a public service employment program when the need for such a program ended, since termination could mean politically sensitive layoffs of public employees. The continuation of widespread but unneeded public employment could fan inflation and lead to renewed municipal fiscal crises.

Title III has some of the same weaknesses as Title I. The EDA amendments envision a Commerce Department program similar to the Urban Renewal program, which was terminated because it was found ineffectual and harmful to the social and economic fabric of many communities. The Urban Renewal program was consolidated into the Community Development Block Grant Program in order to provide a more flexible, locally controlled means for the development of urban areas. Title III would represent a distinct step toward reestablishing new and costly categorical grant programs for urban development.



However, while H. R. 5247 has many shortcomings, it does attempt to address a major problem facing many communities, particularly large urban centers, and has consequently generated considerable support. While the general economic recovery will aid State and local governments in balancing their budgets and continuing to provide basic services, there are still many areas, particularly urban areas, which have been hard hit by the recession and which will be particularly slow to emerge from it. Many areas have rates of unemployment in excess of 15%.* Included are areas which have been suffering from general economic decline and hence have been especially vulnerable to the effects of the recent recession, which superimposed cyclical fiscal problems on their long-term economic problems. The result has been to force these urban areas either to raise taxes or to reduce services, in either case exacerbating the economic decline which originally generated the fiscal problems.

Consequently, we are persuaded that, despite the enrolled bill's deficiencies, the problems which it endeavors to resolve are of major importance. We believe that there is a feasible and better alternative to H. R. 5247, which would address the real problems the enrolled bill seeks to address in a constructive manner and at relatively low cost, while avoiding its many pitfalls.

We would propose providing temporary Federal assistance to communities suffering high unemployment as a result of the recession. The object of such assistance would be to reduce unemployment while encouraging the creation of jobs in the private sector. Assistance would be provided through the

* East St. Louis - 18%	Pontiac - 30%	Niagara Falls - 18%
Flint - 19%	Camden - 16%	Providence - 17%
Detroit - 22%	Buffalo - 17%	Laredo - 20%



existing Community Development Block Grant (CDBG) program, with approximately 75 percent of the funds allocated to metropolitan cities and urban counties. Remaining funds would be allocated to States for distribution to or on behalf of smaller units of government experiencing severe unemployment and fiscal problems.

Under our alternative, which would be activated only while the national unemployment rate remained over 7 percent, assistance would be provided on a calendar quarter basis to States, metropolitan cities and urban counties with unemployment over 8 percent, based on the extent to which their unemployment exceeds 8 percent. As the economy improves, the total amount of funds available, the number of recipients receiving funds, and the amount of assistance, would decline.

The total amount available for allocation, in the manner described above, with respect to a calendar quarter would be \$15 million per quarter for each .1 percent by which the rate of national unemployment exceeded 7 percent. For example, if the national unemployment rate equalled 8.3 percent with respect to a given calendar quarter, \$195 million would be available for assistance.

Grants could be made expeditiously each calendar quarter to metropolitan cities and urban counties through the CDBG program, and could be used for the same purposes and would be subject, in general, to the same statutory requirements as are applicable under that program. For communities presently receiving CDBG entitlement grants, the steps necessary to receive assistance would be simple -- the community would submit a brief statement of the planned use and expected benefits of the assistance, referencing its HUD-approved community development application. Federal audit and monitoring of supplemental grants would be included in HUD's routine administration of the Block Grant program.

This proposed alternative to H. R. 5247 has a number of advantages over the enrolled enactment. Directing supplemental funding into local community development programs is responsive



to the special fiscal problems confronting the nation's urban and other areas as a result of the recession. In addition to stimulating local economies with "new" money, the grants would assist recipients in attracting and keeping industries and in stabilizing and improving declining neighborhoods. Based on our experience with the CDBG program, a very high percentage of the funds would be spent on activities which quickly provide jobs in the private sector rather than on those which create long-term obligations for financially strapped local governments by swelling public payrolls.

At an estimated cost of \$780 million per year, the program would create at least 38,000 jobs during its first quarter after implementation (2d calendar quarter, 1976) and another 25,000 within the next 6 months. In contrast, H. R. 5247, at a total cost of over \$6 billion, would produce 28,000 jobs during the first quarter after implementation. Ultimately, H. R. 5247 could create up to 198,000 additional jobs, most of them in late 1977, 1978, or beyond, when the stimulus should no longer be needed.

The proposed alternative is focused on specific severe urban problems. It would provide emergency relief only to those communities with high unemployment, and unemployment is a reasonable and accessible means of identifying such areas. Unlike H. R. 5247, this alternative would not encourage additional local government spending, because its allocation formula is based on unemployment rather than taxes. Furthermore, by encouraging community development activities, the alternative would not have the effect of substituting Federal financing for the State or local financing of public service jobs, another criticism of the enrolled bill.

The proposed supplemental grants would be reduced as economic conditions improve. The entire program itself would phase out automatically when the national unemployment rate dropped below 7 percent, which is predicted by the end of calendar 1977.



Also, the lower level of funding proposed would result in far fewer Federal outlays than under H. R. 5247. As the economy continues to recover and interest rates fall, the cost of government borrowing will decrease, and the Administration could, with the contemplated alternative included, remain within its FY 1977 budget target of \$394.2 billion.

In our view, using the existing CDBG program administrative structure at the Federal and local levels contributes to the attractiveness of the alternative. Virtually all appropriations for the program would go directly to recipients for community development activities which could be completed with such funding (or with other presently available funding), thus greatly reducing start-up times and administrative costs and increasing recipients' capacities to absorb and use their incremental funds. Second, the program would encourage communities to weigh competing priorities and to assess carefully the relative benefits of various possible uses for their supplemental funds. Third, by avoiding the creation of new Federal or local bureaucracies, the alternative would minimize costs and delays, preserve the temporary character of the program, and avoid the problem of disruption which often occurs when Federal funding is discontinued.

Finally, H. R. 5247, with a price tag in excess of \$6 billion, passed the House of Representatives by a vote of 321-80, which would appear to reflect a margin sufficient to override a Presidential veto. The availability of a far less costly, constructive alternative would demonstrate the Administration's concern about unemployment and could provide a margin sufficient to sustain a veto.



For the above reasons, the Department of Housing and Urban Development recommends strongly that the President disapprove the subject enrolled enactment and offer an alternative, as outlined in this report. A copy of a draft bill suitable for this purpose is attached.

Sincerely,


Robert R. Elliott

Attachment



2/10/76

A BILL

To provide supplementary community development block grant assistance to communities with high unemployment due to adverse national economic conditions, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Community Development Anti-Recession Assistance Act of 1976".

SEC. 2. (a) The Congress finds --

(1) that many of the Nation's cities and other communities, whose economic health is essential to national economic prosperity, are experiencing considerable hardships due to high unemployment resulting from recession; and

(2) that the existing community development block grant program can provide an effective mechanism to increase significantly private sector employment while fostering community development in such communities.

(b) Therefore, the Congress declares it to be the policy of the United States and the purpose of

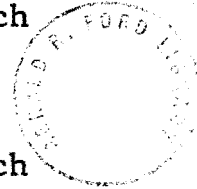


this Act to reduce unemployment by encouraging locally determined community development activities carried out by cities and other communities with high unemployment due to adverse national economic conditions. It is the intention of Congress that the provision of assistance under this Act shall not result in the reduction of assistance under title I of the Housing and Community Development Act of 1974, or any other law.

SEC. 3. Title I of the Housing and Community Development Act of 1974, P. L. 93-383, is amended by adding at the end thereof the following new section:

"SUPPLEMENTARY COMMUNITY
DEVELOPMENT BLOCK GRANTS

"SEC. 119. (a)(1) In addition to the assistance otherwise authorized under this title, the Secretary is authorized to make grants to any State, metropolitan city or urban county which meets the requirements of this section, to finance community development activities which are approved by the Secretary as consistent with the objectives of this title. There are hereby authorized to be appropriated such sums as may



be necessary, in view of current and anticipated national unemployment trends, to carry out the provisions of this section. Any amounts so appropriated shall remain available until expended.

"(2) Notwithstanding any amounts appropriated pursuant to paragraph (1) of this subsection, the total of all grants approved under this section with respect to any calendar quarter shall be equal to the lesser of any amounts so appropriated which remain uncommitted, or \$15 million multiplied by the number of one-tenth percentage points by which the rate of seasonally adjusted national unemployment for the most recent calendar quarter which ended 3 months before the beginning of such calendar quarter exceeded 7 per centum.

"(b)(1) Of the amount available pursuant to subsection (a) for grants under this section with respect to any calendar quarter, 75 per centum shall be allocated by the Secretary to



metropolitan cities and urban counties, except that the Secretary may establish such higher or lower percentage as the Secretary deems appropriate in view of unemployment and related factors in such metropolitan cities and urban counties. From the amount allocated under the preceding sentence with respect to any calendar quarter, the Secretary shall determine, for each metropolitan city and urban county which has a seasonally adjusted unemployment rate in excess of 8 per centum for the most recent calendar quarter which



ended 3 months before the beginning of such calendar quarter, a supplementary grant amount which shall equal an amount which bears the same ratio to the total allocation with respect to the calendar quarter under the preceding sentence as the ratio of (A) the number of unemployed persons in excess of the number of unemployed persons which represents 8 per centum unemployment in such metropolitan city or urban county during the most recent calendar quarter which ended 3 months before the beginning of such calendar quarter to (B) the number of unemployed persons in excess of the number of unemployed persons which represents 8 per centum unemployment in all such metropolitan cities and urban counties during the same calendar quarter. For purposes of determining grant allocations under this



paragraph, the Secretary shall utilize appropriate unemployment data, as determined by the Secretary of Labor and reported to the Secretary.

"(2)(A) After making the allocation with respect to any calendar quarter required pursuant to paragraph (1), the Secretary shall allocate the amount remaining with respect to such calendar quarter for grants under this section to States on behalf of units of general local government in such State, other than metropolitan cities and urban counties therein, which are experiencing high rates of unemployment and serious fiscal problems as a result of adverse economic conditions. From the amount allocated under the preceding sentence with respect to any calendar quarter, the Secretary shall determine, for each State which is eligible for assistance under the preceding sentence, a grant amount which shall equal an amount which bears the same ratio to



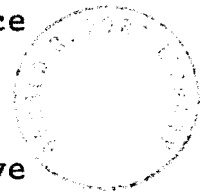
the allocation with respect to the calendar quarter under the preceding sentence as the ratio of (i) the number of unemployed persons in excess of the number of unemployed persons which represents 8 per centum unemployment in such State, excluding unemployed persons in metropolitan cities and urban counties therein, during the most recent calendar quarter which ended 3 months before the beginning of such calendar quarter to (ii) the number of such unemployed persons in excess of the number of unemployed persons which represents 8 per centum unemployment in all such States, excluding unemployed persons in all metropolitan cities and urban counties therein, during the same calendar quarter.

"(B) Any grant allocated to a State under this paragraph shall be used, or distributed by such State for use in or for the benefit of units of general local government, other than metropolitan cities and urban counties therein, which are experiencing high rates of unemployment and serious fiscal problems on a basis consistent with the purpose of

this section and criteria thereunder prescribed by the Secretary.

"(C) For purposes of determining grant allocations under this paragraph, the Secretary shall utilize appropriate unemployment data, as determined by the Secretary of Labor and reported to the Secretary, except that, in the event such unemployment data are unavailable for any recipient, the best available unemployment data for such recipient, consistent with criteria determined by the Secretary, shall be utilized.

"(c)(1) Notwithstanding any other provision of this title relating to requirements for contents of applications for assistance, any metropolitan city or urban county which has been allocated supplementary grant assistance under subsection (b)(1) with respect to any calendar quarter shall be entitled to receive the amount of assistance so allocated if it has submitted to the Secretary an application as prescribed by the Secretary which --



"(A) outlines the proposed use or uses of the assistance and the benefits to the community of such use or uses, particularly in terms of reducing unemployment through creation of jobs in the private sector;

"(B) in the case of a metropolitan city or urban county receiving assistance under any provision of this title other than this section, demonstrates how the proposed use or uses would contribute to achievement of the objectives of the recipient's Community Development Program;

"(C) in the case of a metropolitan city or urban county which is not receiving such assistance, complies with those provisions of section 104 of this title which pertain to requirements for contents of applications for assistance; and

"(D) requests assistance in an amount, which together with other resources that

may be available, will be adequate to complete the proposed activity or activities.

"(2) Any application submitted pursuant to subsection (c)(1) by a metropolitan city or urban county receiving assistance under any section of this title other than this section, shall be deemed approved within 45 days after receipt of such application unless the Secretary shall have informed the applicant within such period of specific reasons for disapproval and the actions necessary to secure approval. Any other application shall be deemed approved within 75 days after receipt of such application unless the Secretary shall have informed the applicant within such period of specific reasons for disapproval and the actions necessary to secure approval. The Secretary shall approve an application for assistance allocated under this section unless the Secretary determines that the proposed use or uses of such assistance are plainly inappropriate to meeting the purpose of this section, or that the application does not comply with the requirements of this section or proposes activities which are ineligible

under this section.

"(3) Any State allocated grant assistance with respect to any calendar quarter under subsection (b)(2) shall be entitled to receive such assistance promptly after complying with such application requirements as the Secretary may prescribe, consistent with requirements applicable under paragraph (1) of this subsection or otherwise deemed appropriate by the Secretary to assure achievement of the purpose of assistance under this section.



"(d) Assistance under this section may be used by the recipient thereof for any activity eligible for assistance under section 105(a) of this title, except that up to 10 per centum of the amount allocated to any recipient with respect to any calendar quarter may be used for such other activity or activities as may be deemed by the Secretary to be consistent with the objectives of this title and assistance under this section, respectively.

"(e) Except where otherwise provided in this section, assistance under this section shall be subject to all of the requirements and provisions of this title.

"(f) The Secretary is authorized to prescribe such rules and regulations, and to take such steps

as may be necessary, to assure the prompt implementation of the assistance program authorized under this section with respect to any calendar quarter, commencing with the calendar quarter beginning on April 1, 1976, with respect to which assistance is allocated hereunder.

"(g) No assistance under this section may be approved by the Secretary with respect to any calendar quarter after the calendar quarter which ends on March 31, 1978.

"(h) Any funds allocated under subsection (b)(1) of this section which remain uncommitted at the end of the calendar quarter following the calendar quarter with respect to which such funds were allocated because of the failure of a metropolitan city or urban county to apply for such assistance or otherwise to comply with this section shall be added to the funds available for allocation to States under subsection (b)(2) with respect to the same calendar quarter for which the funds were initially allocated. Any funds allocated under subsection (b)(2) of this section with respect to a State which remain

uncommitted at the end of the calendar quarter following the calendar quarter with respect to which such funds were allocated because of the failure of such State to apply for such assistance or otherwise to comply with this section shall revert to the United States Treasury, except that any funds reallocated for allocation to States under the preceding sentence shall revert to the Treasury only if such funds remain uncommitted at the end of the third calendar quarter following the calendar quarter with respect to which such funds were initially allocated under subsection (b)(1)."

VETO MESSAGE

H.R. 5247

- Siz (name) (Porter)
- LYNN (Collins)
- Cannon
- Greenup

To the House of Representatives:

I am returning without my approval H.R. 5247, the Public Works Employment Act of 1975.

The supporters of this bill claim that failure to sign this legislation would represent my lack of concern for the unemployed. This is simply untrue.

The truth is that this bill would do little to create jobs for the unemployed. Moreover, the bill has so many deficiencies and undesirable provisions that it would do more harm than good. While it is represented as the solution to our unemployment problems, in fact it is little more than an election year pork barrel. Careful examination reveals the serious deficiencies in H.R. 5247.

First, the cost of producing jobs under this bill would be intolerably high, probably in excess of \$25,000 per job.

Second, relatively few new jobs would be created. The bill's sponsors estimate that H.R. 5247 would create 600,000 to 800,000 new jobs. Those claims are badly exaggerated. Our estimates within the Administration indicate that at



most some 250,000 jobs would be created -- and that would be over a period of several years. The peak impact would come in late 1977 or 1978, and would come to no more than 100,000 to 120,000 new jobs. This would represent barely a one tenth of one percent improvement in the unemployment rate.

Third, this will create almost no new jobs in the immediate future, when those jobs are needed. With peak impact on jobs in late 1977 or early 1978, this legislation will be adding stimulus to the economy at precisely the wrong time: when the recovery will already be far advanced.

Fourth, Title II of the bill provides preferential treatment to those units of government with the highest taxes without any distinction between those jurisdictions which have been efficient in holding down costs and those that have not.



Fifth, under this legislation it would be almost impossible to assure taxpayers that these dollars are being responsibly and effectively spent.

Effective allocation of over \$3 billion for public works on a project-by-project basis would take many months or years. The provision that project requests be approved automatically unless the Commerce Department acts within 60 days will preclude any useful review of the requests, and prevent a rational allocation of funds.

Sixth, this bill would create a new urban renewal program less than two years after the Congress replaced a nearly identical program -- as well as other categorical grant programs -- with a broader, more flexible Community Development block grant program.

I recognize there is merit in the argument that some areas of the country are suffering from exceptionally high rates of unemployment and that the Federal Government should provide assistance. My budgets for fiscal years 1976 and 1977 do, in fact, seek to provide such assistance.



Beyond my own budget recommendations, I believe that in addressing the immediate needs of some of our cities hardest hit by the recession, another measure already introduced in the Congress, H.R. 11860, provides a far more reasonable and constructive approach than the bill I am vetoing.

H.R. 11860 targets funds on those areas with the highest unemployment so that they may undertake high priority activities at a fraction of the cost of H.R. 5247. The funds would be distributed exclusively under an impartial formula as opposed to the pork barrel approach represented by the bill I am returning today. Moreover, H.R. 11860 builds upon the successful Community Development Block Grant program. That program is in place and working well, thus permitting H.R. 11860 to be administered without the creation of a new bureaucracy. I would be glad to consider this legislation more carefully should the Congress formally act upon it as an alternative to H.R. 5247.

We must not allow our debate over H.R. 5247 to obscure one fundamental point: the best and most effective way to create new jobs is to pursue balanced economic policies that



encourage the growth of the private sector without risking a new round of inflation. This is the core of my economic policy, and I believe that the steady improvements in the economy over the last half year on both the unemployment and inflation fronts bear witness to its essential wisdom. I intend to continue this basic approach because it is working.

My proposed economic policies are expected to foster the creation of 2 to 2.5 million new private sector jobs in 1976 and more than 2 million additional jobs in 1977. These will be lasting, productive jobs, not temporary jobs payrolled by the American taxpayer.

This is a policy of balance, realism, and common sense. It is an honest policy which does not promise a quick fix.

My program includes:

-- Large and permanent tax reductions that will leave more money where it can do the most good: in the hands of the American people;

-- Tax incentives for the construction of new plants and equipment in areas of high unemployment;

-- Tax incentives to encourage more low and middle income Americans to invest in common stock;

-- More than \$21 billion in outlays for important public works such as energy facilities, wastewater treatment

treatment plants, roads, and veterans' hospitals representing a 17 percent increase over the previous fiscal year;

-- Tax incentives for investment in residential mortgages by financial institutions to stimulate capital for home building.

I have proposed a Budget which addresses the difficult task of restraining the pattern of excessive growth in Federal spending. Basic to job creation in the private sector is reducing the ever-increasing demands of the Federal government for funds. Federal government borrowing to support deficit spending reduces the amount of money available for productive investment at a time when many experts are predicting that we face a shortage of private capital in the future. Less investment means fewer new jobs and less production per worker.

Last month, under our balanced policies, seasonally adjusted employment rose by 800,000. That total is almost three times as large as the number of jobs that would be produced by this legislation and the jobs those men and women found will be far more lasting and productive than would be created through another massive public works effort.

I ask the Congress to act quickly on my tax and budget proposals, which I believe will provide the jobs for the unemployed that we all want.

VETO MESSAGE

H.R. 5247

- Siz (Lynn) (Porter)
- LYNN (Collins)
- CANNON
- Greenstein

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encourage the growth of the private sector without risking a new round of inflation. This is the core of my economic policy, and I believe that the steady improvements in the economy over the last half year on both the unemployment and inflation fronts bear witness to its essential wisdom. I intend to continue this basic approach because it is working.

My proposed economic policies are expected to foster the creation of 2 to 2.5 million new private sector jobs in 1976 and more than 2 million additional jobs in 1977. These will be lasting, productive jobs, not temporary jobs payrolled by the American taxpayer.

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treatment plants, roads, and veterans' hospitals representing a 17 percent increase over the previous fiscal year;

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I have proposed a Budget which addresses the difficult task of restraining the pattern of excessive growth in Federal spending. Basic to job creation in the private sector is reducing the ever-increasing demands of the Federal government for funds. Federal government borrowing to support deficit spending reduces the amount of money available for productive investment at a time when many experts are predicting that we face a shortage of private capital in the future. Less investment means fewer new jobs and less production per worker.

Last month, under our balanced policies, seasonally adjusted employment rose by 800,000. That total is almost three times as large as the number of jobs that would be produced by this legislation and the jobs those men and women found will be far more lasting and productive than would be created through another massive public works effort.

I ask the Congress to act quickly on my tax and budget proposals, which I believe will provide the jobs for the unemployed that we all want.

2/9/76

Mr. Linder:

FYI.

Please note last paragraph. Understand Veto message has gone to the speechwriters -- it did not accompany the bill report. We do not have a copy and Judy has been trying to find one for her staffing purposes.

Katie



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

August 12/76

FEB 7 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 5247 - Public Works Employment Act of 1975
Sponsor - Rep. Jones (D) Alabama and 15 others

Last Day for Action

February 13, 1976 - Friday

Purpose

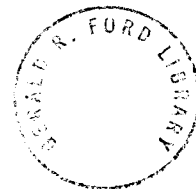
To provide Federal assistance to State and local governments to alleviate the problems of cyclical unemployment; to establish a new urban renewal grant program in Commerce for cities with populations over 50,000; and to increase Federal grants for wastewater treatment facilities.

Agency Recommendations

Office of Management and Budget	Disapproval
Department of Commerce	Disapproval (Veto Message attached)
Department of Labor	Disapproval
Department of the Treasury	Disapproval
Council of Economic Advisers	Disapproval
Department of Housing and Urban Development	No response
Environmental Protection Agency	No objection (Informally)

Discussion

H.R. 5247 is intended to provide jobs quickly for the unemployed -- its sponsors claim that it would provide 600,000 to 800,000 jobs. However, a more realistic estimate based on experience would be 250,000 jobs over 5 years or more, with a peak impact of only 100,000 to 120,000 jobs. The Administration has indicated to the Congress that the bill would be vetoed.



Title I of the enrolled bill would authorize a new \$2.5 billion program in the Commerce Department through fiscal year 1977 to provide Federal grants to State and local governments to cover 100% of the costs to construct, repair, renovate or improve any public works project. Grants could also be made both to cover 100% of the State and local shares of other federally assisted public works projects and up to 100% of the State or local share of public works projects authorized under State or local laws. At least 70% of the funds would have to go to areas having unemployment rates in excess of the national average, but not less than one-half of 1% or more than 10% could go to any one State. Priority would be accorded projects of local governments. The Secretary of Commerce would have to act on each application for assistance within 60 days of receipt, or the request would be automatically approved. Grants would be made only if the Secretary received what he deemed as "satisfactory assurance" that, if Federal funds were made available, on-site labor could begin within 90 days of approval of the project.

The Administration strongly opposed this Title when it was being considered by the House. First, public works projects are a notoriously slow and costly means of creating jobs and the peak impact would be expected in late 1977 or early 1978 when the economy will be well on the road to full recovery. The cost of producing jobs would probably be in excess of \$25,000 per work-year.

Second, the bill would probably do little to help the specific problems of areas which may have extraordinarily high unemployment but relatively little demand for construction jobs, even though additional construction might have some ripple effect on unemployment in other areas.

Third, it would direct resources into new or expanded government facilities which would have to be maintained or operated at public expense, rather than income-producing industrial or commercial facilities.

Finally, this type of 100% Federal funding is contrary to the Administration's policy against categorical assistance programs. It would reduce or remove State and local incentives to either set investment priorities or to conduct careful project reviews.



Title II of the enrolled bill would provide "countercyclical" revenue sharing assistance to State and local governments for the maintenance of basic services. Assistance would be authorized for five quarters beginning April 1, 1976. One-third of the funds would be reserved for States and two-thirds for local governments. Undistributed amounts would be reserved in a Contingency Fund for emergency support grants to State and local governments in severe fiscal difficulty.

The Title authorizes \$125 million for each quarter that unemployment reached 6%, plus \$62.5 million per quarter for each half percentage point that unemployment exceeded 6%. At the unemployment rates projected in the 1977 Budget, an appropriation of \$1,625 million would be authorized for the five quarters.

This type of countercyclical aid could encourage the further expansion of spending by State and local governments. The assistance under this bill would take pressures off the State and local governments to economize. When this proposed special assistance program nears expiration after five quarters, there would be immense pressures to continue the assistance indefinitely.

Title II also allocates funds in part on the basis of what a city spends rather than what it needs. The distribution formula which includes computations of the unemployment rate and the jurisdictional tax rate would provide more funds to local governments with higher tax bases, including those which have been least efficient at holding down costs. This results in severe distortions in the allocation. New York City would receive the largest amount--\$150 million--almost four times as much as Detroit, the second largest beneficiary, which would receive only about \$40 million.

Title III of H.R. 5247 would authorize funds for several Federal assistance programs:

- an additional \$1.4 billion in FY 1977 for the Environmental Protection Agency's wastewater treatment grants program;
- an additional \$125 million in FY 1976 for Commerce's Economic Development Administration (EDA) program to provide interest subsidies to businesses receiving commercial loans which are guaranteed by EDA;



- \$500 million to extend EDA's Job Opportunities program through fiscal year 1976 and the transition quarter. The program would be amended to redirect the bulk of these funds to State and local government programs and to areas with unemployment above the national average; and
- \$100 million for EDA assistance in 1976 and the transition quarter to cities with a population of 50,000 or more and an approved economic development program. Such assistance may be used by cities for urban economic redevelopment, or any other investment which will "accelerate recycling of land and facilities for job creating economic activity."

The \$1.4 billion new authorization for the EPA wastewater treatment program would have almost no impact on job opportunities in the near future. Of the \$18 billion already allotted to States for wastewater treatment facilities, \$10 billion has not yet been obligated.

The interest subsidy provision would result in grants to private firms and it would be very difficult to allocate the subsidies to those firms which would have the greatest impact on reducing unemployment.

The Job Opportunities program has been consistently opposed by the Administration as being a costly means of creating temporary jobs as well as being administratively unwieldy.

The amendment to make cities over 50,000 eligible for EDA assistance could get EDA into a major new and costly urban renewal role. It would be a step in reestablishing categorical grant programs for urban development less than two years after Congress replaced a nearly identical program in HUD with the broad, more flexible, Community Development block grant program.

The bill contains total authorizations of \$6.3 billion; outlays in 1977 could be over \$2.5 billion if the funds were appropriated. While it is unlikely that Congress would appropriate the full amounts authorized, enactment of this bill would almost certainly result in a substantial increase in appropriations.



We have prepared a draft veto message and have submitted it separately for your consideration.

(Signed) James T. Lynn

James T. Lynn
Director

Enclosures





EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

FEB 7 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 5247 - Public Works Employment Act of 1975
Sponsor - Rep. Jones (D) Alabama and 15 others

Last Day for Action

February 13, 1976 - Friday

Purpose

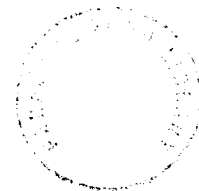
To provide Federal assistance to State and local governments to alleviate the problems of cyclical unemployment; to establish a new urban renewal grant program in Commerce for cities with populations over 50,000; and to increase Federal grants for wastewater treatment facilities.

Agency Recommendations

Office of Management and Budget	Disapproval
Department of Commerce	Disapproval (Veto Message attached)
Department of Labor	Disapproval
Department of the Treasury	Disapproval
Council of Economic Advisers	Disapproval
Department of Housing and Urban Development	No response
Environmental Protection Agency	No objection (Informally)

Discussion

H.R. 5247 is intended to provide jobs quickly for the unemployed -- its sponsors claim that it would provide 600,000 to 800,000 jobs. However, a more realistic estimate based on experience would be 250,000 jobs over 5 years or more, with a peak impact of only 100,000 to 120,000 jobs. The Administration has indicated to the Congress that the bill would be vetoed.



Title I of the enrolled bill would authorize a new \$2.5 billion program in the Commerce Department through fiscal year 1977 to provide Federal grants to State and local governments to cover 100% of the costs to construct, repair, renovate or improve any public works project. Grants could also be made both to cover 100% of the State and local shares of other federally assisted public works projects and up to 100% of the State or local share of public works projects authorized under State or local laws. At least 70% of the funds would have to go to areas having unemployment rates in excess of the national average, but not less than one-half of 1% or more than 10% could go to any one State. Priority would be accorded projects of local governments. The Secretary of Commerce would have to act on each application for assistance within 60 days of receipt, or the request would be automatically approved. Grants would be made only if the Secretary received what he deemed as "satisfactory assurance" that, if Federal funds were made available, on-site labor could begin within 90 days of approval of the project.

The Administration strongly opposed this Title when it was being considered by the House. First, public works projects are a notoriously slow and costly means of creating jobs and the peak impact would be expected in late 1977 or early 1978 when the economy will be well on the road to full recovery. The cost of producing jobs would probably be in excess of \$25,000 per work-year.

Second, the bill would probably do little to help the specific problems of areas which may have extraordinarily high unemployment but relatively little demand for construction jobs, even though additional construction might have some ripple effect on unemployment in other areas.

Third, it would direct resources into new or expanded government facilities which would have to be maintained or operated at public expense, rather than income-producing industrial or commercial facilities.

Finally, this type of 100% Federal funding is contrary to the Administration's policy against categorical assistance programs. It would reduce or remove State and local incentives to either set investment priorities or to conduct careful project reviews.

Title II of the enrolled bill would provide "countercyclical" revenue sharing assistance to State and local governments for the maintenance of basic services. Assistance would be authorized for five quarters beginning April 1, 1976. One-third of the funds would be reserved for States and two-thirds for local governments. Undistributed amounts would be reserved in a Contingency Fund for emergency support grants to State and local governments in severe fiscal difficulty.

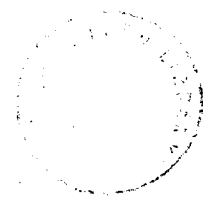
The Title authorizes \$125 million for each quarter that unemployment reached 6%, plus \$62.5 million per quarter for each half percentage point that unemployment exceeded 6%. At the unemployment rates projected in the 1977 Budget, an appropriation of \$1,625 million would be authorized for the five quarters.

This type of countercyclical aid could encourage the further expansion of spending by State and local governments. The assistance under this bill would take pressures off the State and local governments to economize. When this proposed special assistance program nears expiration after five quarters, there would be immense pressures to continue the assistance indefinitely.

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The Job Opportunities program has been consistently opposed by the Administration as being a costly means of creating temporary jobs as well as being administratively unwieldy.

The amendment to make cities over 50,000 eligible for EDA assistance could get EDA into a major new and costly urban renewal role. It would be a step in reestablishing categorical grant programs for urban development less than two years after Congress replaced a nearly identical program in HUD with the broad, more flexible, Community Development block grant program.

The bill contains total authorizations of \$6.3 billion; outlays in 1977 could be over \$2.5 billion if the funds were appropriated. While it is unlikely that Congress would appropriate the full amounts authorized, enactment of this bill would almost certainly result in a substantial increase in appropriations.



We have prepared a draft veto message and have submitted it separately for your consideration.

(Signed) James T. Lynn

James T. Lynn
Director

Enclosures



TO THE HOUSE OF REPRESENTATIVES:

I am returning without my approval H.R. 5247, the Public Works Employment Act of 1975.

Supporters of this bill claim that it represents a solution to the problem of unemployment. This is simply untrue.

The truth is that this bill would do little to create jobs for the unemployed. Moreover, the bill has so many deficiencies and undesirable provisions that it would do more harm than good. While it is represented as the solution to our unemployment problems, in fact it is little more than an election year pork barrel. Careful examination reveals the serious deficiencies in H.R. 5247.

First, the cost of producing jobs under this bill would be intolerably high, probably in excess of \$25,000 per job.

Second, relatively few new jobs would be created. The bill's sponsors estimate that H.R. 5247 would create 600,000 to 800,000 new jobs. Those claims are badly exaggerated. Our estimates within the Administration indicate that at most some 250,000 jobs would be created -- and that would be over a period of several years. The peak impact would come in late 1977 or 1978, and would come to no more than 100,000 to 120,000 new jobs. This would represent barely a one tenth of one percent improvement in the unemployment rate.

Third, this will create almost no new jobs in the immediate future, when those jobs are needed. With peak impact on jobs in late 1977 or early 1978, this legislation will be adding stimulus to the economy at precisely the wrong time: when the recovery will already be far advanced.



Fourth, Title II of the bill provides preferential treatment to those units of government with the highest taxes without any distinction between those jurisdictions which have been efficient in holding down costs and those that have not.

Fifth, under this legislation it would be almost impossible to assure taxpayers that these dollars are being responsibly and effectively spent.

Effective allocation of over \$3 billion for public works on a project-by-project basis would take many months or years. The provision that project requests be approved automatically unless the Commerce Department acts within 60 days will preclude any useful review of the requests, and prevent a rational allocation of funds.

Sixth, this bill would create a new urban renewal program less than two years after the Congress replaced a nearly identical program -- as well as other categorical grant programs -- with a broader, more flexible Community Development block grant program.

I recognize there is merit in the argument that some areas of the country are suffering from exceptionally high rates of unemployment and that the Federal Government should provide assistance. My budgets for fiscal years 1976 and 1977 do, in fact, seek to provide such assistance.

Beyond my own budget recommendations, I believe that in addressing the immediate needs of some of our cities hardest hit by the recession, another measure already introduced in the Congress, H.R. 11860, provides a far more reasonable and constructive approach than the bill I am vetoing.



H.R. 11860 targets funds on those areas with the highest unemployment so that they may undertake high priority activities at a fraction of the cost of H.R. 5247. The funds would be distributed exclusively under an impartial formula as opposed to the pork barrel approach represented by the bill I am returning today. Moreover, H.R. 11860 builds upon the successful Community Development Block Grant program. That program is in place and working well, thus permitting H.R. 11860 to be administered without the creation of a new bureaucracy. I would be glad to consider this legislation more favorably should the Congress formally act upon it as an alternative to H.R. 5247.

We must not allow our debate over H.R. 5247 to obscure one fundamental point: the best and most effective way to create new jobs is to pursue balanced economic policies that encourage the growth of the private sector without risking a new round of inflation. This is the core of my economic policy, and I believe that the steady improvements in the economy over the last half year on both the unemployment and inflation fronts bear witness to its essential wisdom. I intend to continue this basic approach because it is working.

My proposed economic policies are expected to foster the creation of 2 to 2.5 million new private sector jobs in 1976 and more than 2 million additional jobs in 1977. These will be lasting, productive jobs, not temporary jobs payrolled by the American taxpayer.

This is a policy of balance, realism, and common sense. It is an honest policy which does not promise a quick fix.

My program includes:

-- Large and permanent tax reductions that will leave more money where it can do the most good: in the hands of the American people;

-- Tax incentives for the construction of new plants and equipment in areas of high unemployment;

-- Tax incentives to encourage more low and middle income Americans to invest in common stock;

-- More than \$21 billion in outlays for important public works such as energy facilities, wastewater treatment plants, roads, and veterans' hospitals representing a 17 percent increase over the previous fiscal year;

-- Tax incentives for investment in residential mortgages by financial institutions to stimulate capital for home building.

I have proposed a Budget which addresses the difficult task of restraining the pattern of excessive growth in Federal spending. Basic to job creation in the private sector is reducing the ever-increasing demands of the Federal government for funds. Federal government borrowing to support deficit spending reduces the amount of money available for productive investment at a time when many experts are predicting that we face a shortage of private capital in the future. Less investment means fewer new jobs and less production per worker.

Last month, under our balanced policies, seasonally adjusted employment rose by 300,000. That total is almost three times as large as the number of jobs that would be



produced by this legislation and the jobs those men and women found will be far more lasting and productive than would be created through another massive public works effort.

I ask the Congress to act quickly on my tax and budget proposals, which I believe will provide the jobs for the unemployed that we all want.

THE WHITE HOUSE,

February 13, 1976.



THE WHITE HOUSE
WASHINGTON

Supporters of this bill claim that it represents a solution to the problem of unemployment. This is simply untrue.

TO THE HOUSE OF REPRESENTATIVES:

I am returning without my approval H.R. 5247, the Public Works Employment Act of 1975.

The supporters of this bill claim that failure to sign this legislation would represent my lack of concern for the unemployed. This is simply untrue.

*Changed
for Dr. Conrad*

The truth is that this bill would do little to create jobs for the unemployed. Moreover, the bill has so many deficiencies and undesirable provisions that it would do more harm than good. While it is represented as the solution to our unemployment problems, in fact it is little more than an election year pork barrel. Careful examination reveals the serious deficiencies in H.R. 5247.

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