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**HOUSE COMMITTEE ON THE BUDGET  
BRIEFING MATERIAL  
APRIL 14, 1975**

- (1) **Opening Statement, Chairman Brock Adams**
- (2) **Status of the FY 1976 Deficit in the President's Budget**
- (3) **Summary of Economic Stimulus in House Budget Committee Estimates, FY 1976**
- (4) **Comparison of Outlay Estimates for FY 1976**
- (5) **The Congressional Budget Process in 1975 (a brief explanation)**

OPENING STATEMENT  
CHAIRMAN BROCK ADAMS,  
HOUSE COMMITTEE ON THE BUDGET  
APRIL 14, 1975

The House Committee on the Budget today is filing with the House of Representatives a proposed "concurrent resolution on the budget" -- a measure that gives Congress the opportunity to set its own fiscal policy and budget priority targets for the Federal government in the upcoming fiscal year.

The budget resolution would establish a revenue target of \$295.0 billion, an outlay target of \$368.2 billion and a deficit target of \$73.2 billion for fiscal year 1976. In addition, the resolution would establish \$395.6 billion as the appropriate level for budget authority in the fiscal year and \$624.0 billion as the level to which the public debt limit should be allowed to increase.

The budget priorities these totals reflect are outlined in a report that accompanies the resolution. In essence, these targets are intended to provide a macro-economic framework for congressional action to reduce unemployment without adding impetus to inflation.

The figures targetted in the Committee's resolution are realistic. They reflect the bills introduced to date that are most likely to become law and affect the Federal budget in fiscal year 1976. They also account for various underestimates of spending for existing programs that were contained in the budget submitted by the President February 3.

#### Budget Comparisons

The President's budget, as submitted, estimated revenues of \$297.5 billion, outlays of \$349.4 billion and a deficit of \$51.9 billion in fiscal 1976. Subsequently, the Administration revised its budget to account for Presidential budget amendments, certain underestimates, a court action and various congressional actions.

The President's budget, as revised by the Office of Management and Budget, estimates revenues of \$297 billion and outlays of \$355.6 billion. In a recent speech, the President estimated the likely budget deficit at \$60 billion.

His estimate, however, is too optimistic. It assumes the government will receive \$8 billion from leasing of offshore oil lands; a more realistic estimate is \$4 billion. It assumes tax-cutting provisions of the Tax Reduction Act of 1975 will expire on December 31; if they do not (and the Committee has been told they will not), the President's revenues will decline by about \$4.4 billion. In addition, updated Budget Committee estimates for postal subsidy payments and welfare (AFDC) program costs could increase outlays by a total of \$1.1 billion. Finally, these deficit increases will increase interest payments on the public debt by about \$500 million annually.

Thus, a more realistic estimate of the President's budget deficit, in the view of the Budget Committee, is \$70 billion.

Unfortunately, the President's budget -- even assuming a \$70 billion deficit -- contains little in the way of economic stimulus. In short, his program, in the Committee's view, will not significantly reduce unemployment from levels that have become intolerable.

By contrast, other committees of the House provided the Budget Committee a series of budget-related legislative plans that would provide considerably more economic spark. In analyzing these plans, however, the Budget Committee found two serious flaws. First, the economic and job stimulus proposals under consideration by various committees overlap. Second, if all the legislative plans of all the committees are adopted there would be a budget deficit of about \$100 billion -- a deficit certain to distort financial markets, feed inflation and limit recovery.

#### Budget Committee Plan

It is generally recognized that the chief cause of the budget deficits we are experiencing is economic deterioration. Each time the nation's unemployment rate increases 1 percent from the so-called "full employment" level (of 4 percent unemployment), Federal tax revenues decline by about \$13.6 billion while expenditures for unemployment compensation and related programs increase by about \$2.4 billion -- a swing of approximately \$16 billion. Thus an increase in unemployment from 4 percent to the present rate of 8.7 percent and the resulting drop in GNP accounts for approximately \$64 billion of the deficit.

The House Budget Committee's plan shifts priorities from those contained in the President's budget to provide more jobs and additional economic stimulus while keeping the deficit as much below \$75 billion as possible. Moreover, it attempts to emphasize stimulative programs that would phase out rapidly as the economic picture improves, so that our fiscal '76 deficit will not cause a new round of inflation during a period of recovery.

To provide stimulus and, simultaneously, restrict deficit growth, the Committee recommends cutting Presidentially-proposed spending for defense and foreign aid. The defense cuts contemplated by the Committee would reduce new program growth and limit budget increases based on a high inflation rate estimate by the Department of Defense.

The Committee's outlay estimate for foreign aid reflects reductions in spending for Indo-China postwar reconstruction and bilateral development assistance.

Economic stimulus is provided in the Committee plan by increasing outlays for housing, public works and public service jobs. Outlays for stimulus in these three areas would total more than \$13 billion. As a result of these outlays, an estimated 1.7 million jobs would be created in fiscal 1976. Additional stimulus is provided by the Tax Reduction Act passed by Congress and signed by the President two weeks ago.

The Committee plan is directed toward reducing the unemployment rate from the current 8.7 percent to approximately 7 percent by the end of calendar year 1976, and it should set the stage for even more vigorous recovery in fiscal 1977.

Recovery will make a more nearly balanced Federal budget possible in fiscal year 1977. This is vital, for while many economists and financial experts surveyed by the Committee feel a Federal deficit of \$70-to-\$80 billion can be financed in fiscal 1976, few believe back-to-back deficits of that size can be handled without creating serious distortions in financial markets.

#### Legislative Outlook

The budget resolution is likely to be considered in the House near the end of April. Members will have an opportunity to amend the totals proposed for revenues, budget authority, outlays, deficit and public debt. In outlining their amendments, Members will be able to explain what budget priority adjustments they are contemplating in attempting to amend the totals.

The Budget Committee itself is divided on some issues. Committee Members who have joined me at this briefing will be able to highlight areas of particular controversy.

STATUS OF THE FY 1976 DEFICIT  
IN THE PRESIDENT'S BUDGET

(Dollars in Billions)

	<u>Outlays</u>	<u>Receipts</u>	<u>Deficit</u>
President's Budget as Submitted.....	\$ 349.4	\$ 297.5	\$ -51.9
Presidential Amendments, Reestimates and Administrative and Congressional Actions:			
1. Foreign Aid.....	.1		
2. Public Service Employment....	1.8		
3. Food Stamps.....	2.2		
4. Veterans Benefits.....	.6		
5. Congressional Rejection of Rescissions.....	.7		
6. Release of Highway Funds.....	1.0		
7. Release of Hill Burton.....	*		
8. Other Net Changes.....	1.7		
Court Decision on EPA-Clean Water.....	*		

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PRESIDENT'S BUDGET AS OF APRIL 4, 1975	\$ 357.5	\$ 297.5	\$ -60.0
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House Budget Committee Reestimates  
Not Accounted for in President's Budget  
As of April 4th:

1. Royalties on the Outer Continental Shelf.....	4.0		
2. Payments to the Postal Service.....	.7		
3. Aid to Families with Dependent Children.....	.4		
4. Increase in Interest Due to Larger Public Debt.....	.6		
5. Extension of tax cut beyond December 31, 1975.....		-4.4	

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PRESIDENT'S BUDGET INCLUDING BUDGET COMMITTEE REESTIMATES	\$ 363.2	\$ 293.1	\$ -70.1
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\*Less than \$50 million.

April 11, 1975

SUMMARY OF ECONOMIC STIMULUS IN HOUSE BUDGET COMMITTEE ESTIMATES  
FISCAL YEAR 1976  
(dollars in billions)

	<u>Function</u>	<u>Budget Authority</u>	<u>FY 76 Outlays</u>	<u>FY 76 Jobs</u>
I. <u>Major Housing Legislation</u> (additional Private sector stimulus, not Federal outlays and thus not included in total)	400	4.7 <sup>3/</sup>	1.9	225,000
			(6.2)	
II. <u>Public Service Jobs and Manpower Training:</u>				
1. <u>Emergency Jobs Bill</u>	500	2.3 <sup>3/</sup>	1.4	310,000
2. <u>Committee Recommendations:</u>				
- CETA Title III and IV (manpower training)	500	0.3	0.3	NA
- Increase public service jobs to 450,000 peak in FY 76 (Education and Labor)	500	2.0	1.9	140,000 <sup>1/</sup>
Subtotal, Public Service Jobs & Manpower Training		4.6	3.6	450,000
III. <u>Public Works:</u>				
1. <u>Emergency Jobs Bill</u> (mainly public works)	(2)	3.7	2.2	600,000
2. <u>Executive &amp; Court Actions:</u>				
- Court release of clean water funds	300	5.0 <sup>3/</sup>	0.1	3,500
- President's release of highway funds	400	2.0 <sup>3/</sup>	0.8	60,000
- President's release of Hill-Burton funds	550	0.1 <sup>3/</sup>	0.1	2,000
3. <u>Committee Recommendations:</u>				
- Natural resources - environment & energy function	300	0.6	0.4	30,000
- D. C. Metro	400	0.2	0.2	4,000
- Release of <u>currently</u> deferred highway funds	400	8.7 <sup>3/</sup>	0.5	37,500
- Job Opportunity Program	500	0.5	0.2	15,000 <sup>1/</sup>
- Accelerated Public Works (Speaker's Program)	450	5.0	3.0	250,000
- Speed-up of Highway Spending (legislation will permit borrowing of matching funds from future authority)	400	--	0.6	49,500
Subtotal, public works		25.8	8.1	1,051,500
Subtotal, estimates of outlays for economic stimulus		35.1	13.6	1,726,500
IV. <u>Budget Impact of Tax Reduction Act</u>			10.4	
Effect of extending tax cut for fiscal year 76			4.4	
Subtotal, estimated stimulus of tax reduction			14.8	
Grand Total: Outlays/Receipts		35.1	28.4	1,726,500

<sup>1/</sup> Illustrative distribution: Committee provides for distribution of a lump sum dollar amount between these two activities.

<sup>2/</sup> Miscellaneous.

<sup>3/</sup> Prior year Budget Authority.

NOTE: Figures may not add to totals due to rounding.

April-11, 1975

COMPARISON OF OUTLAY ESTIMATES FOR FY 1976  
(in millions of dollars)

	<u>(1975 BUDGET OUTLAYS ESTIMATED)</u>	<u>PRESIDENT'S BUDGET AS SUBMITTED</u>	<u>PRESIDENT'S BUDGET AS ADJUSTED*</u>	<u>BUDGET ADJUSTED 'FOR COMMITTEES' VIEWS &amp; ESTIMATES</u>	<u>HOUSE BUDGET COMMITTEE ESTIMATES</u>
NATIONAL DEFENSE	(\$ 85,276)	\$ 94,027	\$ 94,027	\$ 96,071	\$ 89,736
INTERNAT'L AFFAIRS	( 4,853)	6,294	6,405	6,294	4,900
GENERAL SCIENCE, SPACE & TECHNOLOGY	(4,183)	4,581	4,581	4,599	4,599
NATURAL RE- SOURCE, ENVIRONMENT, & ENERGY	(9,412)	10,028	10,078	13,526	11,546
AGRICULTURE	(1,773)	1,816	1,816	2,698	1,816
COMMERCE & TRANSPORTATION	(11,796)	13,723	15,451	22,219	19,810
COMMUNITY & REGIONAL DEVELOPMENT	(4,887)	5,920	5,920	9,706	9,498
EDUCATION, MANPOWER, & SOCIAL SERVICES	(14,714)	14,623	16,461	22,035	20,426
HEALTH	(26,486)	28,050	28,082	32,507	30,702
INCOME SECURITY	(106,702)	118,724	120,624	129,619	123,915
VETERANS BENEFITS & SERVICES	(15,466)	15,592	16,192	17,741	17,469
LAW ENFORCE- MENT & JUSTICE	(3,026)	3,288	3,288	3,368	3,363
GENERAL GOVERNMENT	(2,646)	3,180	3,180	4,099	3,350
REVENUE SHARING & GENERAL PURPOSE FISCAL ASSISTANCE	(7,033)	7,249	7,249	7,249	7,249
INTEREST	(31,331)	34,419	34,419	34,419	35,000
ALLOWANCES	(700)	8,050	8,050	8,460	1,050
UNDISTRIBUTED OFFSETTING RECEIPTS	<u>(-16,839)</u>	<u>-20,193</u>	<u>-16,193</u>	<u>-16,193</u>	<u>-16,193</u>
TOTAL	<u>(\$313,445)</u>	<u>\$349,371</u>	<u>\$359,630</u>	<u>\$398,417</u>	<u>\$368,236</u>

\* Adjusted to include official Presidential amendments and reestimates, administrative actions, court decisions and underestimates of outlays.

April 8, 1975

## THE CONGRESSIONAL BUDGET PROCESS IN 1975

The Congressional Budget and Impoundment Control Act of 1974 establishes an improved process for the determination by Congress of Federal fiscal policies and budget priorities. The Act creates a timetable for Congressional budgetary actions and provides for adoption of "concurrent resolutions on the budget" -- measures which focus on budget totals and broad budget priorities.

The new process is mandatory with respect to fiscal year 1977, which begins October 1, 1976. The Act, however, permits application of portions of the process to fiscal year 1976, which begins July 1, 1975.

### Budget Committee Actions To Date

Early in March, the House and Senate Budget Committees reported to their respective Houses plans to implement major portions of the process in 1975 for fiscal 1976. The Budget Committees held hearings on the budget and the economy; received reports on the budget views and estimates of other Congressional committees, and agreed to report to their respective Houses by April 15 concurrent resolutions on the budget.

The Committees agreed that the first resolution should contain aggregate figures for Federal revenues, budget authority, outlays, deficit and public debt only. Normally, the resolution also will break down spending in terms of "functional categories" (i.e., national defense, international affairs, agriculture, health, etc.) This year, because of the lack of preparation time, the Committees agreed to include the breakdown by category in the report accompanying the resolution only.

### Action On The Resolution

Final Congressional action on the first budget resolution is required by May 15.

In the House, debate on the resolution cannot begin until 10 working days have passed after the resolution and report are available. Thus, no Floor action may begin until April 30. Since the resolution itself does not contain spending figures for each functional category, amendments must be to the aggregate figures. The Budget Committee contemplates the explanation of any amendment will outline the priority impact the amendment is intended to achieve.

Actions by the House and Senate on their respective budget resolutions will be followed, if necessary, by a conference wherein differences between the House and Senate versions of the resolution will be resolved. Thereafter, final action will be taken on the concurrent resolution, which does not require the President's signature.

### Effect Of The First Resolution

Aggregate figures agreed to in the first resolution will serve as targets. They are intended to guide, not bind, Congressional committees, subcommittees and the Congress as a whole in subsequent decisions on legislation that affects revenues and spending.

It is anticipated most of the Congressional decisions affecting the Federal budget in the upcoming fiscal year will have been made by Labor Day. Sometime before then, the Budget Committees will report a second concurrent resolution on the budget to their respective Houses.

### Imposing Limitations

Congressional action on a second resolution should be completed by September 15. The second resolution can affirm or revise totals agreed to in the first, on the basis of updated economic, legislative and other budgetary information.

As the Budget Committees prepare their second resolutions, they also will sum fiscal 1976 spending and revenue bills previously approved by Congress. If the sums of these bills do not equal the aggregate totals Congress agrees to in the second resolution, Congress can include in the resolution directions to Congressional committees to adjust legislation under their jurisdiction so that the sums and the totals are reconciled.

Final Congressional action on reconciliation legislation should be taken by September 25. Following action on the second resolution and completion of the reconciliation process, it will not be in order to introduce legislation increasing spending or reducing revenues from the agreed-upon totals unless a new budget resolution is adopted first.



SUMMARY OF THE  
SUBJECT MATTER FOR HEARINGS  
TO BE CONDUCTED BY THE  
COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION

ON

APRIL 15, 16, 17, 18, 22, 23 and 24, 1975

H.R. 5247 AND COMPANION BILLS

LOCAL PUBLIC WORKS CAPITAL DEVELOPMENT  
AND INVESTMENT ACT OF 1975

The bill includes a comprehensive statement of the present economic conditions including the high rate of long-term unemployment in the construction industry and its resultant effects throughout the entire economy, and of the necessity for meeting the unmet needs of local communities for public facilities and for stimulating the national economy.

The proposed program is carried out by the Secretary of Commerce acting through the Economic Development Administration.

The Secretary is authorized to make 100 percent grants to any State or local governments for local public works projects. Generally these projects will be strictly local in nature, but they could also be public works projects for which Federal financial assistance is authorized under other laws.

Also, in a situation where Federal financial assistance is immediately available from another program but the local government cannot come up with its matching share, the Secretary of Commerce may supplement the Federal share up to 100 percent assuming the construction of the project has not yet been initiated.

The Secretary shall, not later than 30 days after date of enactment of this Act, prescribe rules, regulations, and procedures (including application forms) necessary to carry out the Act. In doing this, he will consider, among other factors:

- 1) Severity and duration of unemployment in project areas.
- 2) Income levels of families and extent of under-employment in project areas.
- 3) Extent to which project will contribute significantly to reduction of national unemployment; that is, the ripple effect on areas and industries which produce materials.

The Secretary has 30 days after the date he receives the application to decide. Failure to decide within 30 days will constitute an approval of the application.

No more than 10 percent of the \$5 billion can go to any one State.

Davis-Bacon Act is made applicable to all grants under the bill.

Authorization of \$5 billion is provided to carry out the Act.

LOCAL PUBLIC WORKS CAPITAL DEVELOPMENT AND  
INVESTMENT ACT OF 1975

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DECEMBER 15, 1975.—Ordered to be printed

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Mr. JONES of Alabama, from the committee of conference,  
submitted the following

CONFERENCE REPORT

[To accompany H.R. 5247]

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 5247) to authorize a local public works capital development and investment program, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate to the text of the bill and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

*That this Act may be cited as the "Public Works Employment Act of 1975".*

TITLE I

*Sec. 101. This title may be cited as the "Local Public Works Capital Development and Investment Act of 1975".*

*Sec. 102. As used in this title, the term—*

(1) "Secretary" means the Secretary of Commerce, acting through the Economic Development Administration.

(2) "State" includes the several States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, and American Samoa.

(3) "local government" means any city, county, town, parish, or other political subdivision of a State, and any Indian tribe.

*Sec. 103. (a) The Secretary is authorized to make grants to any State or local government for construction (including demolition and other site preparation activities), renovation, repair, or other improvement of local public works projects including but not limited to those public works projects of State and local governments for which*

Federal financial assistance is authorized under provisions of law other than this title. In addition the Secretary is authorized to make grants to any State or local government for the completion of plans, specifications, and estimates for local public works projects where either architectural design or preliminary engineering, or related planning has already been undertaken and where additional architectural and engineering work or related planning is required to permit construction of the project under this title.

(b) The Federal share of any project for which a grant is made under this section shall be 100 per centum of the cost of the project.

SEC. 104. In addition to the grants otherwise authorized by this title, the Secretary is authorized to make a grant for the purpose of increasing the Federal contribution to a public works project for which Federal financial assistance is authorized under provisions of law other than this title. Any grant made for a public works project under this section shall be in such amount as may be necessary to make the Federal share of the cost of such project 100 per centum. No grant shall be made for a project under this section unless the Federal financial assistance for such project authorized under provisions of law other than this title is immediately available for such project and construction of such project has not yet been initiated because of lack of funding for the non-Federal share.

SEC. 105. In addition to the grants otherwise authorized by this title, the Secretary is authorized to make a grant for the purpose of providing all or any portion of the required State or local share of the cost of any public works project for which financial assistance is authorized under any provision of State or local law requiring such contribution. Any grant made for a public works project under this section shall be made in such amount as may be necessary to provide the requested State or local share of the cost of such project. A grant shall be made under this section for either the State or local share of the cost of the project, but not both shares. No grant shall be made for a project under this section unless the share of the financial assistance for such project (other than the share with respect to which a grant is requested under this section) is immediately available for such project and construction of such project has not yet been initiated.

SEC. 106. (a) No grant shall be made under section 103, 104, or 105 of this title for any project having as its principal purpose the channelization, damming, diversion, or dredging of any natural watercourse, or the construction or enlargement of any canal (other than a canal or raceway designated for maintenance as an historic site) and having as its permanent effect the channelization, damming, diversion, or dredging of such watercourse or construction or enlargement of any canal (other than a canal or raceway designated for maintenance as an historic site).

(b) No part of any grant made under section 103, 104, or 105 of this title shall be used for the acquisition of any interest in real property.

(c) Nothing in this title shall be construed to authorize the payment of maintenance costs in connection with any projects constructed (in whole or in part) with Federal financial assistance under this title.

(d) Grants made by the Secretary under this title shall be made only for projects for which the applicant gives satisfactory assurances,

in such manner and form as may be required by the Secretary and in accordance with such terms and conditions as the Secretary may prescribe, that, if funds are available, on-site labor can begin within ninety days of project approval.

SEC. 107. The Secretary shall, not later than thirty days after date of enactment of this title, prescribe those rules, regulations, and procedures (including application forms) necessary to carry out this title. Such rules, regulations, and procedures shall assure that adequate consideration is given to the relative needs of various sections of the country. The Secretary shall consider among other factors (1) the severity and duration of unemployment in proposed project areas, (2) the income levels and extent of underemployment in proposed project areas, and (3) the extent to which proposed projects will contribute to the reduction of unemployment. The Secretary shall make a final determination with respect to each application for a grant submitted to him under this title not later than the sixtieth day after the date he receives such application. Failure to make such final determination within such period shall be deemed to be an approval by the Secretary of the grant requested. For purposes of this section, in considering the extent of unemployment or underemployment, the Secretary shall consider the amount of unemployment or underemployment in the construction and construction-related industries.

SEC. 108. (a) Not less than one-half of 1 per centum or more than 10 per centum of all amounts appropriated to carry out this title shall be granted under this title for local public works projects within any one State, except that in the case of Guam, Virgin Islands, and American Samoa, not less than one-half of 1 per centum in the aggregate shall be granted for such projects in all three of these jurisdictions.

(b) In making grants under this title, the Secretary shall give priority and preference to public works projects of local governments.

(c) In making grants under this title, if for the three most recent consecutive months, the national unemployment rate is equal to or exceeds 6½ per centum, the Secretary shall (1) expedite and give priority to applications submitted by States or local governments having unemployment rates for the three most recent consecutive months in excess of the national unemployment rate and (2) shall give priority thereafter to applications submitted by States or local governments having unemployment rates for the three most recent consecutive months in excess of 6½ per centum, but less than the national unemployment rate. Information regarding unemployment rates may be furnished either by the Federal Government, or by States or local governments, provided the Secretary determines that the unemployment rates furnished by States or local governments are accurate, and shall provide assistance to States or local governments in the calculation of such rates to insure validity and standardization.

(d) Seventy per centum of all amounts appropriated to carry out this title shall be granted for public works projects submitted by State or local governments given priority under clause (1) of the first sentence of subsection (c) of this section. The remaining 30 per centum shall be available for public works projects submitted by State or local governments in other classifications of priority.

(e) In determining the unemployment rate of a local government for the purposes of this section, unemployment in those adjoining areas from which the labor force for such project may be drawn, shall, upon request of the applicant, be taken into consideration.

(f) States and local governments making application under this title should (1) relate their specific requests to existing approved plans and programs of a local community development or regional development nature so as to avoid harmful or costly inconsistencies or contradictions; and (2) where feasible, make requests which, although capable of early initiation, will promote or advance longer range plans and programs.

SEC. 109. All laborers and mechanics employed by contractors or subcontractors on projects assisted by the Secretary under this title shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a—276a-5). The Secretary shall not extend any financial assistance under this title for such project without first obtaining adequate assurance that these labor standards will be maintained upon the construction work. The Secretary of Labor shall have, with respect to the labor standards specified in this provision, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (15 F.R. 3176; 64 Stat. 1267; 5 U.S.C. 1332-15), and section 2 of the Act of June 13, 1964, as amended (40 U.S.C. 276c).

SEC. 110. No person shall on the ground of sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any project receiving Federal grant assistance under this title, including any supplemental grant made under this title. This provision will be enforced through agency provisions and rules similar to those already established, with respect to racial and other discrimination under title VI of the Civil Rights Act of 1964. However, this remedy is not exclusive and will not prejudice or cut off any other legal remedies available to a discriminatee.

SEC. 111. There is authorized to be appropriated not to exceed \$2,500,000,000 for the period ending September 30, 1977, to carry out this title.

## TITLE II—ANTIRECESSION PROVISIONS

### FINDINGS OF FACT AND DECLARATION OF POLICY

SEC. 201. (a) FINDINGS.—The Congress finds—

(1) that State and local governments represent a significant segment of the national economy whose economic health is essential to national economic prosperity;

(2) that present national economic problems have imposed considerable hardships on State and local government budgets;

(3) that those governments, because of their own fiscal difficulties, are being forced to take budget-related actions which tend to undermine Federal Government efforts to stimulate the economy;

(4) that efforts to stimulate the economy through reductions in Federal Government tax obligations are weakened when State and local governments are forced to increase taxes;

(5) that the net effect of Federal Government efforts to reduce unemployment through public service jobs is substantially limited if State and local governments use federally financed public service employees to replace regular employees that they have been forced to lay off;

(6) that efforts to stimulate the construction industry and reduce unemployment are substantially undermined when State and local governments are forced to cancel or delay the construction of essential capital projects; and

(7) that efforts by the Federal Government to stimulate the economic recovery will be substantially enhanced by a program of emergency Federal Government assistance to State and local governments to help prevent those governments from taking budget-related actions which undermine that Federal Government efforts to stimulate economic recovery.

(b) POLICY.—Therefore, the Congress declares it to be the policy of the United States and the purpose of this title to make State and local government budget-related actions more consistent with Federal Government efforts to stimulate national economic recovery; to enhance the stimulative effect of a Federal Government income tax reduction; and to enhance the job creation impact of Federal Government public service employment programs. It is the intention of Congress that amounts paid to a State or local government under this title shall not be substituted for amounts which the State would have paid or made available to the local government out of revenues from State sources.

### FINANCIAL ASSISTANCE AUTHORIZED

SEC. 202. (a) EMERGENCY SUPPORT GRANTS.—The Secretary of the Treasury (hereafter in this title referred to as the "Secretary") shall, in accordance with the provisions of this title, make emergency support grants to States and to local governments to coordinate budget-related actions by such governments with Federal Government efforts to stimulate economic recovery.

(b) AUTHORIZATION OF APPROPRIATIONS.—Subject to the provisions of subsection (c), there are authorized to be appropriated for each of the five succeeding calendar quarters (beginning with the calendar quarter which begins on April 1, 1976) for the purpose of making emergency support grants under this title—

(1) \$125,000,000 plus

(2) \$62,500,000, multiplied by the number of one-half percentage points by which the rate of seasonally adjusted national unemployment for the most recent calendar quarter which ended three months before the beginning of such calendar quarter exceeded 6 percent.

(c) **TERMINATION.**—No amount is authorized to be appropriated under the provisions of subsection (b) for any calendar quarter if—

(1) the average rate of national unemployment during the most recent calendar quarter which ended 3 months before the beginning of such calendar quarter did not exceed 6 percent, and

(2) the rate of national unemployment for the last month of the most recent calendar quarter which ended 3 months before the beginning of such calendar quarter did not exceed 6 percent.

#### ALLOCATION

##### SEC. 203. (a) RESERVATIONS.—

(1) **ALL STATES.**—The Secretary shall reserve one-third of the amounts appropriated pursuant to authorization under section 202 for each calendar quarter for the purpose of making emergency support grants to States under the provisions of subsection (b).

(2) **ALL LOCAL GOVERNMENTS.**—The Secretary shall reserve two-thirds of such amounts for the purpose of making emergency support grants to local governments under the provisions of subsection (c).

##### (b) STATE ALLOCATION.—

(1) **IN GENERAL.**—The Secretary shall allocate from amounts reserved under subsection (a) (1) an amount for the purpose of making emergency support grants to each State equal to the total amount reserved under subsection (a) (1) for the calendar quarter multiplied by the applicable State percentage.

(2) **APPLICABLE STATE PERCENTAGE.**—For purposes of this subsection, the applicable State percentage is equal to the quotient resulting from the division of the product of—

(A) the State excess unemployment percentage, multiplied by

(B) the State tax amount

by the sum of such products for all the States.

(3) **DEFINITIONS.**—For purposes of this section—

(A) the term "State" means each State of the United States;

(B) the State excess unemployment percentage is equal to the difference resulting from the subtraction of the State base period unemployment rate for that State from the State unemployment rate for that State;

(C) the State base period unemployment rate is equal to 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 and reported to the Secretary;

(D) the State unemployment rate is equal to the rate of unemployment in the State during the appropriate calendar quarter, as determined by the Secretary of Labor and reported to the Secretary; and

(E) the State tax amount is the amount of compulsory contributions exacted by the State for public purposes (other than employee and employer assessments and contributions to

finance retirement and social insurance systems, and other than special assessments for capital outlay), as such contributions are determined for the most recent period for which such data are available from the Social and Economic Statistics Administration for general statistical purposes.

##### (c) LOCAL GOVERNMENT ALLOCATION.—

(1) **IN GENERAL.**—The Secretary shall allocate from amounts reserved under subsection (a) (2) an amount for the purpose of making emergency support grants to each local government, subject to the provisions of paragraph (3), equal to the total amount reserved under such subsection for the calendar quarter multiplied by the local government percentage.

(2) **LOCAL GOVERNMENT PERCENTAGE.**—For purposes of this subsection, the local government percentage is equal to the quotient resulting from the division of the product of—

(A) the local excess unemployment percentage, multiplied by

(B) the local adjusted tax amount,

by the sum of such products for all local governments.

(3) **SPECIAL RULE.**—

(A) For purposes of paragraphs (1) and (2), all local governments within the jurisdiction of a State other than identifiable local governments shall be treated as though they were one local government.

(B) The Secretary shall set aside from the amount allocated under paragraph (1) of this subsection for all local governments within the jurisdiction of a State which are treated as though they are one local government under subparagraph (A) an amount determined under subparagraph (C) for the purpose of making emergency support grants to each local government, other than identifiable local governments, within the jurisdiction of such State.

(C) The amount set aside for the purpose of making emergency support grants to each local government, other than an identifiable local government, within the jurisdiction of a State under subparagraph (B) shall be—

(i) determined under an allocation plan submitted by such State to the Secretary which meets the requirements set forth in section 206 (b), or

(ii) if a State does not submit an allocation plan under section 206 (b) for purposes of this paragraph within 30 days after the date of enactment of this title or if a State's allocation plan is not approved by the Secretary under section 206 (c), equal to the total amount allocated under paragraph (1) of this subsection for all local governments within the jurisdiction of such State which are treated as though they are one local government under subparagraph (A) multiplied by the local government percentage, as defined in paragraph (2) (determined without regard to the parenthetical phrases at the end of paragraphs (4) (B) and (C) of this subsection).

(D) If local unemployment rate data (as defined in paragraph (4) (B) of this subsection without regard to the parenthetical phrase at the end of such definition) for a local government jurisdiction is unavailable to the Secretary or the State for purposes of determining the amount to be set aside for such government under subparagraph (C) then the Secretary or State shall determine such amount under subparagraph (C) 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 is determined, or

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

(E) If the amount determined under subparagraph (C) which would be set aside for the purpose of making emergency support grants to a local government under subparagraph (B) is less than \$250 then no amount shall be set aside for such local government under subparagraph (B).

(4) DEFINITIONS.—For purposes of this subsection—

(A) the local excess unemployment percentage is equal to the difference resulting from the subtraction of 4.5 percentage points from the local unemployment rate;

(B) the local unemployment rate is equal to the rate of unemployment in the jurisdiction of the local government during the appropriate calendar quarter, as determined by the Secretary of Labor and reported to the Secretary (in the case of local governments treated as one local government under paragraph (3) (A)), the local unemployment rate shall be the unemployment rate of the State adjusted by excluding consideration of unemployment and of the labor force within identifiable local governments, other than county governments, within the jurisdiction of that State);

(C) the local adjusted tax amount means—

(i) the amount of compulsory contributions exacted by the local government for public purposes (other than employee and employer assessments and contributions to finance retirement and social insurance systems, and other than special assessments for capital outlay) as such contributions are determined for the most recent period for which such data are available from the Social and Economic Statistics Administration for general statistical purposes,

(ii) adjusted (under rules prescribed by the Secretary) by excluding an amount equal to that portion of such compulsory contributions which is properly allocable to expenses for education,

(and in the case of local governments treated as one local government under paragraph (3) (A)), the local tax amount shall be the sum of the local adjusted tax amounts of all local

governments within the State, adjusted by excluding an amount equal to the sum of the local adjusted tax amounts of identifiable local governments within the jurisdiction of that State);

(D) the term “identifiable local government” means a unit of general local government for which the Secretary of Labor has made a determination concerning the rate of unemployment for purposes of title II or title VI of the Comprehensive Employment and Training Act of 1973 during the current or preceding fiscal year; and

(E) the term “local government” means the government of a county, municipality, township, or other unit of government below the State which—

(i) is a unit of general government (determined on the basis of the same principles as are used by the Social and Economic Statistics Administration for general statistical purposes), and

(ii) performs substantial governmental functions.

Such term includes the District of Columbia and also includes the recognized governing body of an Indian tribe or Alaskan native village which performs substantial governmental functions. Such term does not include the government of a township area unless such government performs substantial governmental functions.

For the purpose of paragraph (4) (D), the Secretary of Labor shall, notwithstanding any other provision of law, continue to make determinations with respect to the rate of unemployment for the purposes of such title VI.

#### CONTINGENCY FUND

SEC. 204. (a) RESERVATION.—The Secretary shall reserve from the amounts appropriated pursuant to the authorization under section 202 for each calendar quarter an amount equal to the amount, if any, not paid to State or local governments by reason of section 210(c), but not in excess of an amount which is equal to 10 percent multiplied by the total amount appropriated under the authorization in section 202 for such quarter, for the purpose of making additional emergency support grants to State or local governments which are in severe fiscal difficulty, as determined under subsection (d).

(b) ALLOCATIONS.—The Secretary shall allocate from the amounts reserved under subsection (a) such amount as he determines is necessary for an additional emergency support grant to assist each State or local government, upon application by such government, which is in severe fiscal difficulty. The sum of the amounts allocated under this subsection may not be less than 75 percent of the amount reserved under subsection (a) for the calendar quarter. No amount may be allocated for an additional emergency support grant to a State or local government under this section in excess of an amount equal to the lesser of—

(1) 10 percent of the amount allocated to such State or local government under section 203 for the calendar quarter, or

(2) 15 percent of the amount reserved under this subsection for the calendar quarter.

(c) *SPECIAL RULE FOR PUERTO RICO, VIRGIN ISLANDS, GUAM, AND THE TRUST TERRITORIES OF THE PACIFIC.*—The Secretary may allocate from the amount reserved under subsection (a) amounts for the purpose of making emergency support grants to the governments of the Commonwealth of Puerto Rico, the Virgin Islands, Guam, and the Trust Territories of the Pacific, upon application by such governments, if such governments are in severe fiscal difficulty, as determined under subsection (d). The total amount of payments made under this paragraph during any calendar quarter may not exceed 10 percent of the amount reserved under subsection (a) for that quarter. For purposes of sections 205 through 215, the governments of the Commonwealth of Puerto Rico, the Virgin Islands, Guam, and the Trust Territories of the Pacific shall be considered to be State governments.

(d) *CRITERIA FOR SEVERE FISCAL DIFFICULTY.*—For purposes of this section, a State or local government shall be considered to be in severe fiscal difficulty if—

(1) the rate of unemployment during the appropriate calendar quarter within its jurisdiction exceeds the national annual average rate of unemployment,

(2) it is currently unable, or will be unable before the end of the current calendar quarter, to pay accrued interest to the holders of its outstanding debt instruments, or

(3) it must increase taxes immediately to maintain its level of basic services or reduce the level of those services before the end of the current calendar quarter.

#### USES OF EMERGENCY SUPPORT GRANTS

*SEC. 205.* Each State and local government shall use emergency support grants made under this title for the maintenance of basic services customarily provided to persons in that State or in the area under the jurisdiction of that local government, as the case may be. State and local governments may not use emergency support grants made under this title for the acquisition of supplies and materials and for construction unless such supplies and materials or construction are essential to maintain basic services.

#### APPLICATIONS

*SEC. 206. (a) IN GENERAL.*—Each State and local government may receive emergency support grants under this title only upon application to the Secretary, at such time, in such manner, and containing or accompanied by such information as the Secretary prescribes by rule. The Secretary may not require any State or local government to make more than one such application during each fiscal year. Each such application shall—

(1) include a State or local government program for the maintenance, to the extent practical, of levels of public employment and of basic services customarily provided to persons in that State or in the area under the jurisdiction of that local government which is consistent with the provisions of section 205;

(2) provide that fiscal control and fund accounting procedures will be established as may be necessary to assure the proper dis-

bursal of, and accounting for, Federal funds paid to the State or local government under this title;

(3) provide that reasonable reports will be furnished in such form and containing such information as the Secretary may reasonably require to carry out the purposes of this title and provide that the Secretary, on reasonable notice, shall have access to, and the right to examine any books, documents, papers, or records as he may reasonably require to verify such reports;

(4) provide that the requirements of section 207 will be complied with;

(5) provide that the requirements of section 208 will be complied with;

(6) provide that the requirements of section 209 will be complied with; and

(7) provide that any amount received as an emergency support grant under this title shall be expended by the State or local government before the end of the 6-calendar-month period which begins on the date after the day on which such State or local government receives such grant.

(b) *STATE ALLOCATION PLANS FOR PURPOSES OF SECTION 203 (c) (3).*—A State may file an allocation plan with the Secretary for purposes of section 203(c)(3)(C)(i) at such time, in such manner, and containing such information as the Secretary may require by rule. Such allocation plan shall meet the following requirements:

(1) the criteria for allocation of amounts among the local governments within the State shall be consistent with the allocation formula for local governments under section 203(c)(2);

(2) the allocation criteria must be specified in the plan; and

(3) the plan must be developed after consultation with appropriate officials of local governments within the State other than identifiable local governments. The allocation plan required under the subparagraph shall, to the extent feasible, include consideration of the needs of small local government jurisdictions with severe fiscal problems.

(c) *APPROVAL.*—The Secretary shall approve any application that meets the requirements of subsection (a) or (b) within 30 days after he receives such application, and shall not finally disapprove, in whole or in part, any application for an emergency support grant under this title without first affording the State or local government reasonable notice and an opportunity for a hearing.

#### NONDISCRIMINATION

*SEC. 207. (a) IN GENERAL.*—No person in the United States shall, on the grounds of race, religion, color, national origin, or sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with funds made available under this title.

(b) *AUTHORITY OF THE SECRETARY.*—Whenever the Secretary determines that a State government or unit of local government has failed to comply with subsection (a) or an applicable regulation, he shall, within 10 days, notify the Governor of the State (or, in the case of a

unit of local government, the Governor of the State in which such unit is located, and the chief elected official of the unit) of the noncompliance. If within 30 days of the notification compliance is not achieved, the Secretary shall, within 10 days thereafter—

(1) exercise all the powers and functions provided by title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d);

(2) refer the matter to the Attorney General with a recommendation that an appropriate civil action be instituted; or

(3) take such other action as may be provided by law.

(c) ENFORCEMENT.—Upon his finding of discrimination under subsection (b), the Secretary shall have the full authority to withhold or temporarily suspend any grant under this title, or otherwise exercise any authority contained in title VI of the Civil Rights Act of 1964, to assure compliance with the requirement of nondiscrimination in federally assisted programs set forth in that title.

(d) APPLICABILITY OF CERTAIN CIVIL RIGHTS ACTS.—

(1) Any party who is injured or deprived within the meaning of section 1979 of the Revised Statutes (42 U.S.C. 1983) or of section 1980 of the Revised Statutes (42 U.S.C. 1985) by any person, or two or more persons in the case of such section 1980, in connection with the administration of an emergency support grant under this title may bring a civil action under such section 1979 or 1980, as applicable, subject to the terms and conditions of those sections.

(2) Any person who is aggrieved by an unlawful employment practice within the meaning of title VII of the Civil Rights Act of 1964 (42 U.S.C. 2000e et seq.) by any employer in connection with the administration of an emergency support grant under this title may bring a civil action under section 706(f)(1) of such Act (42 U.S.C. 2000e-5(f)(1)) subject to the terms and conditions of such title.

#### LABOR STANDARDS

SEC. 208. All laborers and mechanics employed by contractors on all construction projects assisted under this title shall be paid wages at rates not less than those prevailing on similar projects in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act (40 U.S.C. 276a to 276a-5). The Secretary of Labor shall have, with respect to the labor standards specified in this section, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (15 C.F.R. 3176) and section 2 of the Act of June 13, 1934, as amended (40 U.S.C. 276c).

#### SPECIAL REPORTS

SEC. 209. Each State and local government which receives a grant under the provisions of this title shall report to the Secretary any increase or decrease in any tax which it imposes and any substantial reduction in the number of individuals it employs or in services which such State or local government provides. Each state which receives a grant under the provisions of this title shall report to the Secretary any decrease in the amount of financial assistance which the State provides to the local governments within its jurisdiction below the amount which equals the amount of such assistance which such State

provided to such local governments during the 12-month period which ends on the last day of the calendar quarter immediately preceding the date of enactment of this title, together with an explanation of the reasons for such decrease. Such reports shall be made as soon as it is practical and, in any case, not less than 6 months after the date on which the decision to impose such tax increase or decrease, such reductions in employment or services, or such decrease in State financial assistance is made public.

#### PAYMENTS

SEC. 210. (a) IN GENERAL.—From the amount allocated for State and local governments under sections 203 and 204, the Secretary shall pay to each State and to each local government, which has an application approved under section 206, an amount equal to the amount allocated to such State or local government under section 203 or section 204.

(b) ADJUSTMENTS.—Payments under this title may be made with necessary adjustments on account of overpayments or underpayments.

(c) TERMINATION.—No amount shall be paid to any State or local government under the provisions of this section for any calendar quarter if—

(1) the average rate of unemployment within the jurisdiction of such State or local government during the most recent calendar quarter which ended three months before the beginning of such calendar quarter was less than 6 percent, and

(2) the rate of unemployment within the jurisdiction of such government for the last month of the most recent calendar quarter which ended three months before the beginning of such calendar quarter did not exceed 6 percent.

#### STATE AND LOCAL GOVERNMENT ECONOMICIZATION

SEC. 211. No State or local government may receive any payment under the provisions of this title unless such government in good faith certifies in writing to the Secretary, at such time and in such manner and form as the Secretary prescribes by rule, that it has made substantial economies in its operations and that without grants under this title it will not be able to maintain essential services without increasing taxes or maintaining recent increases in taxes thereby weakening Federal Government efforts to stimulate the economy through reductions in Federal tax obligations.

#### WITHHOLDING

SEC. 212. Whenever the Secretary, after affording reasonable notice and an opportunity for a hearing to any State or local government, finds that there has been a failure to comply substantially with any provision set forth in the application of that State or local government approved under section 206, the Secretary shall notify that State or local government that further payments will not be made under this title until he is satisfied that there is no longer any such failure to comply. Until he is so satisfied, no further payments shall be made under this title.



## REPORTS

SEC. 213. The Secretary shall report to the Congress as soon as is practical after the end of each calendar quarter during which grants are made under the provisions of this title. Such report shall include information on the amounts paid to each State and local government and a description of any action which the Secretary has taken under the provisions of section 212 during the previous calendar quarter. The Secretary shall report to Congress as soon as is practical after the end of each calendar year during which grants are made under the provisions of this title. Such reports shall include detailed information on the amounts paid to State and local governments under the provisions of this title, any actions with which the Secretary has taken under the provisions of section 212, and an evaluation of the purposes to which amounts paid under this title were put by State and local governments and the economic impact of such expenditures during the previous calendar year.

## ADMINISTRATION

SEC. 214. (a) RULES.—The Secretary is authorized to prescribe, after consultation with the Secretary of Labor, such rules as may be necessary for the purpose of carrying out his functions under this title.

(b) COORDINATION.—In administering the provisions of this title, the Secretary is authorized to use the services and facilities of any agency of the Federal Government and of any other public agency or institution in accordance with appropriate agreements, and to pay for such services either in advance or by way of reimbursement as may be agreed upon.

## PROGRAM STUDIES AND RECOMMENDATIONS

SEC. 215. (a) EVALUATION.—The Comptroller General of the United States shall conduct an investigation of the impact which emergency support grants have on the operations of State and local governments and on the national economy. Before and during the course of such investigation the Comptroller General shall consult with and coordinate his activities with the Congressional Budget Office and the Advisory Commission on Intergovernmental Relations. The Comptroller General shall report the results of such investigation to the Congress within two years after the date of enactment of this title together with an evaluation of the macro-economic effect of the program established under this title and any recommendations for improving the effectiveness of similar programs. Such report shall include the opinions of the Congressional Budget Office and the Advisory Commission on Intergovernmental Relations with respect to the program established under this title and any recommendations which they may have for improving the effectiveness of similar programs. All officers and employees of the United States shall make available all information, reports, data, and any other material necessary to carry out the provisions of this subsection to the Comptroller General upon a reasonable request.

(b) COUNTERCYCLICAL STUDY.—The Director of the Congressional Budget Office and the Advisory Commission on Intergovernmental Relations shall conduct a study to determine the most effective means

by which the Federal Government can stabilize the national economy during periods of excess expansion and high inflation through programs directed toward State and local governments. Before and during the course of such study the Director and the Advisory Commission shall consult with and coordinate their activities with the Comptroller General of the United States. The Director and the Advisory Commission shall report the results of such study to Congress within two years after the date of enactment of this title. Such study shall include the opinions of the Comptroller General with respect to such study.

## TITLE III

SEC. 301. (a) Section 201(e) of the Public Works and Economic Development Act of 1965, as amended, is amended to read as follows:

“(c) There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this section and section 202, except that annual appropriations for the purpose of purchasing evidences of indebtedness, paying interest supplement to or on behalf of private entities making and participating in loans, and guaranteeing loans, shall not exceed \$170,000,000 for the fiscal year ending June 30, 1966, and for each fiscal year thereafter through the fiscal year ending June 30, 1973, and shall not exceed \$55,000,000 for the fiscal year ending June 30, 1974, and shall not exceed \$75,000,000 for the fiscal year ending June 30, 1975, and shall not exceed \$200,000,000 for the fiscal year ending June 30, 1976.”

(b) Section 202(a)(1) of such Act, as amended, is amended by adding after paragraph (1) the following new paragraph:

“(2) In addition to any other financial assistance under this title, the Secretary is authorized, in the case of any loan guarantee under authority of paragraph (1) of this section to pay to or on behalf of the private borrower an amount sufficient to reduce up to 4 percentage points the interest paid by such borrower on such guaranteed loans. Payments made to or on behalf of such borrower shall be made no less often than annually. No obligation shall be made by the Secretary to make any payment under this paragraph for any loan guarantee made after December 31, 1976.”

(c) Section 202(a) of such Act, as amended, is amended by renumbering existing paragraphs (2) through (10) as (3) through (11), respectively, including any references thereto.

SEC. 302. Title IV of the Public Works and Economic Development Act of 1965 is further amended by adding at the end thereof, the following:

## “PART D—URBAN ECONOMIC DEVELOPMENT

“Sec. 405. (a) For the purposes of this section, the term ‘city’ means (A) any unit of general local government which is classified as a municipality by the Bureau of the Census, or (B) any other unit of general local government which is a town or township and which, in the determination of the Secretary, (i) possesses powers and performs functions comparable to those associated with municipalities, (ii) is closely settled, and (iii) contains within its boundaries no incorporated places as defined by the Bureau of the Census.

"(b) Any city with a population of 50,000 or more which has submitted to and has had approved by the Secretary an overall economic development program in accordance with section 202(b) (10) of this Act shall be designated by the Secretary as a 'redevelopment area' and such area shall be entitled to the assistance authorized by this Act, except that only funds authorized by subsection (d) of this section shall be expended in providing such assistance to a city whose only designation as a 'redevelopment area' is under this section. Nothing in this section shall be construed to prohibit the designation of a city as a 'redevelopment area' under this section in addition to its designation as a 'redevelopment area' under any other provision of this Act, and nothing in this section shall be construed to prohibit a city designated a 'redevelopment area' both under this section and another provision of this Act from receiving assistance under this Act through the expenditure of funds both under this section and under any other provision of this Act.

"(c) In addition to any other assistance available under this Act, if a city that has been designated as a redevelopment area under this section prepares a plan for the redevelopment of the city or a part thereof and submits such plan to the Secretary for his approval and the Secretary approves such plan, the Secretary is authorized to make a grant to such city for the purpose of carrying out such plan. Such plan may include industrial land assembly, land banking, acquisition of surplus government property, acquisition of industrial sites including acquisition of abandoned properties with redevelopment potential, real estate development including redevelopment and rehabilitation of historical buildings for industrial and commercial use, rehabilitation and renovation of usable empty factory buildings for industrial and commercial use, and other investments which will accelerate recycling of land and facilities for job creating economic activity. Any such grant shall be made on condition (A) that the city will use such grant to make grants or loans, or both, to carry out such plans, and (B) the repayments of any loans made by the city from such grant shall be placed by such city in a revolving fund available solely for the making of other grants and loans by the city, upon approval by the Secretary, for the economic redevelopment of the city.

"(d) There is hereby authorized to be appropriated to carry out this section not to exceed \$50,000,000 for the fiscal year ending June 30, 1976, and not to exceed \$50,000,000 for the transition period ending September 30, 1976."

SEC. 303. (a) Section 1003(c) of the Public Works and Economic Development Act of 1965, as amended, is amended to read as follows:

"(c) Where necessary to effectively carry out the purposes of this title, the Secretary of Commerce is authorized to assist eligible areas in making applications, for grants under this title."

"(b) Section 1003(d) of such Act, as amended, is amended to read as follows:

"(d) Notwithstanding any other provisions of this title, funds allocated by the Secretary of Commerce shall be available only for a program or project which the Secretary identifies and selects pursuant to this subsection, and which can be initiated or implemented promptly and substantially completed within twelve months after allocation is

made. In identifying and selecting programs and projects pursuant to this subsection, the Secretary shall (1) give priority to programs and projects which are most effective in creating and maintaining productive employment, including permanent and skilled employment measured as the amount of such direct and indirect employment generated or supported by the additional expenditures of Federal funds under this title, and (2) consider the appropriateness of the proposed activity to the number and needs of unemployed persons in the eligible area."

(c) Section 1003(e) of such Act as amended, is amended to read as follows:

"(e) The Secretary, if the national unemployment rate is equal to or exceeds 6½ per centum for the most recent three consecutive months, shall expedite and give priority to grant applications submitted for such areas having unemployment in excess of the national average rate of unemployment for the most recent three consecutive months. Seventy per centum of the funds appropriated pursuant to this title shall be available only for grants in areas as defined in the second sentence of this subsection. If the national average unemployment rate recedes below 6½ per centum for the most recent three consecutive months, the authority of the Secretary to make grants under this title is suspended until the national average unemployment has equaled or exceeded 6½ per centum for the most recent three consecutive months. Not more than 15 per centum of all amounts appropriated to carry out this title shall be available under this title for projects or programs within any one State, except that in the case of Guam, Virgin Islands, and American Samoa, not less than one-half of 1 per centum in the aggregate shall be available for such projects or programs."

SEC. 304. Section 1004 of the Public Works and Economic Development Act of 1965, as amended, is amended to read as follows:

"SEC. 1004. (a) Within forty-five days after enactment of the Emergency Job and Unemployment Assistance Act of 1974 or within forty-five days after any funds are appropriated to the Secretary to carry out the purposes of this title, each department, agency, or instrumentality of the Federal Government, each regional commission established by section 101 of the Appalachian Regional Development Act of 1965 or pursuant to section 502 of this Act, shall (1) complete a review of its budget, plans, and programs and including State, substate, and local development plans filed with such department, agency or commission; (2) evaluate the job creation effectiveness of programs and projects for which funds are proposed to be obligated in the calendar year and additional programs and projects (including new or revised programs and projects submitted under subsection (b)) for which funds could be obligated in such year with Federal financial assistance under this title; and (3) submit to the Secretary of Commerce recommendations for programs and projects which have the greatest potential to stimulate the creation of jobs for unemployed persons in eligible areas. Within forty-five days of the receipt of such recommendations the Secretary of Commerce shall review such recommendations, and after consultation with such department, agency instrumentality, regional commission, State, or local government make allocations of funds in accordance with section 1003(d) of this title.

"(b) States and political subdivisions in any eligible area may, pursuant to subsection (a), submit to the appropriate department, agency, or instrumentality of the Federal Government (or regional commission) program and project applications for Federal financial assistance provided under this title.

"(c) The Secretary, in reviewing programs and projects recommended for any eligible area shall give priority to programs and projects originally sponsored by States and political subdivisions, including but not limited to new or revised programs and projects submitted in accordance with this section."

SEC. 305. Section 1005 of the Public Works and Economic Development Act of 1965, as amended, is amended by striking such section and renumbering subsequent sections accordingly.

SEC. 306. Section 1005 of the Public Works and Economic Development Act of 1965, as amended, as redesignated by this Act, is amended by striking the period and inserting the following at the end thereof: "unless this would require project grants to be made in areas which do not meet the criteria of this title."

SEC. 307. (a) Section 1006 of the Public Works and Economic Development Act of 1965, as amended, as redesignated by this Act, is amended by inserting the following after "1975" in the first sentence: "and \$500,000,000 for the fiscal year 1976 and the transition period ending September 30, 1976".

(b) Section 1006 as redesignated by this Act is further amended by striking "December 31, 1975" in the second sentence and inserting in lieu thereof "September 30, 1976".

(c) Section 1006 of the Public Works and Economic Development Act of 1965 as redesignated by the Act is amended by adding at the end thereof the following new sentence: "Funds authorized to carry out this title shall be in addition to, and not in lieu of, any amounts authorized by other provisions of law."

SEC. 308. Section 1007 as redesignated by this Act is amended by striking "December 31, 1975" and inserting in lieu thereof "September 30, 1976".

SEC. 309. Title X of the Public Works and Economic Development Act of 1965 is further amended by adding at the end thereof the following new section:

"CONSTRUCTION COSTS

"SEC. 1008. No program or project originally approved for funds under an existing program shall be determined to be ineligible for Federal financial assistance under this title solely because of increased construction costs."

SEC. 310. The Secretary of Commerce shall notify in a timely and uniform manner State and local governments having areas eligible for assistance under Title X of the Public Works and Economic Development Act of 1965.

SEC. 311. (a) There is authorized to be appropriated to carry out title II of the Federal Water Pollution Control Act, other than sections 206, 208, and 209, for the fiscal year ending September 30, 1977, not to exceed \$1,417,968,050 which sum (subject to such amounts as are provided in appropriation Acts) shall be allotted to each State listed

in column 1 of table IV contained in House Public Works and Transportation Committee Print numbered 94-25 in accordance with the percentages provided for such State (if any) in column 5 of such table. The sum authorized by this section shall be in addition to, and not in lieu of, any funds otherwise authorized to carry out such title during such fiscal year. Any sums allotted to a State under this section shall be available until expended.

(b) The Administrator of the Environmental Protection Agency shall, within 45 days from the date of enactment of this section, report to Congress his recommendations for a formula or formulas to be used to allot equitably and allocate new funds authorized to carry out title II of the Federal Water Pollution Control Act.

And the Senate agree to the same.

That the House recede from its disagreement to the amendment of the Senate to the title of the bill and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the amendment of the Senate to the title of the bill, insert the following: "An Act to authorize a local public works capital development and investment program, to amend the Public Works and Economic Development Act of 1965 to increase the antirecessionary effectiveness of the program, and for other purposes."

And the Senate agree to the same.

ROBERT E. JONES,  
JIM WRIGHT,  
HAROLD T. JOHNSON,  
ROBERT A. ROE,  
BELLA ABZUG,

Managers on the Part of the House.

JENNINGS RANDOLPH,  
EDMUND S. MUSKIE,  
JOSEPH M. MONTOYA,  
QUENTIN N. BURDICK,  
ABRAHAM RIBICOFF,  
JOHN GLENN,  
HOWARD H. BAKER,  
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## JOINT EXPLANATORY STATEMENT OF THE COMMITTEE OF CONFERENCE

The managers on the part of the House and the Senate at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 5247) to authorize a local public works capital development and investment program, submit the following joint statement to the House and the Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying conference report:

The Senate amendment to the text of the bill struck out all of the House bill after the enacting clause and inserted a substitute text.

The House recedes from its disagreement to the amendment of the Senate with an amendment which is a substitute for the House bill and the Senate amendment. The differences between the House bill, the Senate amendment, and the substitute agreed to in conference are noted below, except for clerical corrections, conforming changes made necessary by agreements reached by the conferees in minor drafting and clarifying changes.

### TITLE I

#### SHORT TITLE

##### *House bill*

The short title of the House bill provides the legislation may be cited as the "Local Public Works Capital Development And Investment Act of 1975".

##### *Senate amendment*

Provides the act may be cited as the "Public Works-Employment Act of 1975".

##### *Conference substitute*

Identical to Senate amendment as to the Act and identical to the House bill as to title I.

#### STATEMENT OF PURPOSE

##### *House bill*

Provides that the purpose of the legislation is to establish a program to combat unemployment, to stimulate activity in the construction and materials industries and to assist State and local governments provide adequate public facilities.

##### *Senate amendment*

No comparable provision.

##### *Conference substitute*

No comparable provision.



## DEFINITION OF TERMS

*House bill*

Defines "Secretary" to mean the Secretary of Commerce acting through the Economic Development Administration; defines "State" to include the several states, District of Columbia, Commonwealth of Puerto Rico, the Virgin Islands, Guam and American Samoa; and defines "local government" to mean any city, county, town, parish or other political subdivision of a State and any Indian tribe.

*Senate amendment*

No comparable provision.

*Conference substitute*

Same as the House bill. Section 3 of this Act defines "local government" as any city, county, town, parish or other political subdivision of a State or any Indian tribe. For the purposes of this Act, it is intended that special districts such as school districts, and regional authorities, composed of local governments that are established or authorized by State law will be considered a political subdivision of the State.

## DIRECT GRANT PROGRAM

*House bill*

Authorizes the Secretary to make grants to State and local governments for the construction, renovation, repair or other improvement of public works projects. This includes grants for projects for which Federal financial assistance is authorized by other acts and grants for architectural design, engineering and related planning expenses. No part of any grant under this section may be used for the purchase of any interest in land. The Federal share of the cost of any project for which a grant is made under this act shall be 100 percent of the cost of the project. Grants can be made only when it is shown that, if funds are available, on-site labor can begin within 90 days of the project approval.

Projects that would be eligible for funding would include, but not be limited to, the following: demolition and other site preparation activities, new construction, renovation, and major improvements of public facilities such as municipal offices, courthouses, libraries, schools, police and fire stations, detention facilities, water and sewage treatment facilities, water and sewer lines, streets and roads (including curbs), sidewalks, lighting, recreational facilities, convention centers, civic centers, museums, and health, education and social service facilities.

*Senate amendment*

No comparable provision.

*Conference substitute*

Same as the House bill except that grants may be made for the completion of plans, specifications, and estimates where either architectural design or preliminary engineering or related planning has already been undertaken and where additional architectural and engineering work or related planning is required to permit construction

of the project. It is intended that these grants will be made for projects which will result quickly in work on the job site.

With respect to any expenditure of funds for detention facilities, the Secretary of Commerce shall make grants only to those projects which meet the criteria set down under Part E of the Omnibus Safe Streets and Crime Control Act of 1968, as amended (Subparts (1) and (4) through (9) of Section 3750(b) of Title 42, U.S.C.)

## RULES AND REGULATIONS

*House bill*

Requires the Secretary to prescribe rules and regulations within 30 days of enactment. In doing so, he must consider, among other factors: (1) The severity and duration of unemployment in the project areas, (2) the extent of underemployment in the project area, and (3) the extent to which the project will contribute to the reduction of unemployment. In considering the extent of unemployment and underemployment under this section, the Secretary must consider the amount of unemployment and underemployment in the construction-related industries. A final determination of each project application must be made within 60 days of receiving it. Failure to make such determination within this period will be deemed to be an approval by the Secretary.

*Senate amendment*

No comparable provision.

*Conference substitute*

Same as the House bill.

## SUPPLEMENTAL GRANTS

*House bill*

Authorizes the Secretary to make grants for the purpose of increasing the Federal contribution to 100 percent of project cost on any Federally-assisted public works projects authorized by any other Federal law where the Federal financial assistance under such law is immediately available and construction has not been started. However, no part of any grant made under this section may be used for the purchase of any interest in land.

*Senate amendment*

No comparable provision.

*Conference substitute*

Same as the House bill.

## GRANTS FOR PROJECTS AUTHORIZED BY STATE OR LOCAL LAW

*House bill*

Authorizes the Secretary to make grants for all or any portion of the State or local share of cost of any public works project authorized by any State or local law. However, no grant may provide both the State and local share. The matching share, other than the share with respect to which a grant is requested, must be immediately available

for the project and construction of the project not yet started. No part of any grant under this section must be used for the purchase of any interest in land.

*Senate amendment*

No comparable provision.

*Conference substitute*

Same as the House bill.

LIMITATIONS

*House bill*

Contains prohibitions on use of funds to affect natural watercourses, acquisition of interest in real property, use of funds for maintenance cost and a requirement for on-site labor within 90 days of project approval.

*Senate amendment*

No comparable provision.

*Conference substitute*

Same as the House bill, except that limitations in the House bill are consolidated in this section of the bill.

PRIORITY OF PROJECTS

*House bill*

Assures that at least  $\frac{1}{2}$  of 1 percent but not more than 10 percent of funds appropriated will be granted within any one State. Guam, the Virgin Islands and American Samoa together will not receive less than  $\frac{1}{2}$  of 1 percent.

The priority to be given applications of local governments is not intended to permit the Secretary to delay consideration or approval of an application from a State government until all local project applications within the State have been received and reviewed. Such a procedure would obviously run counter to the basic objective of initiating project construction quickly. This section is not intended, for example, to preclude the Secretary from receiving an application and making a grant to a State to construct a project in an area of high unemployment where it is clearly demonstrated that the State project will effectively meet the requirements of the Act and will have a significant impact on unemployment by producing jobs quickly and stimulating economic activity.

As long as the national unemployment rate is  $6\frac{1}{2}$  percent or more, the Secretary must give priority to applications from areas in excess of the national rate and must thereafter give priority to applications from areas in excess of  $6\frac{1}{2}$  percent but less than the national unemployment rate.

Statistics establishing the unemployment rate of an area may be furnished by the Federal Government, States, or local governments as long as the Secretary determines that they are accurate.

70 percent of the funds appropriated must be used for projects in areas that exceed the national unemployment rate in the first priority

above and the remaining 30 percent of the funds appropriated must be used on projects in other classifications of priority.

When requested by an applicant, the Secretary, in determining the unemployment rate of a local government, must consider the unemployment in adjoining areas from which the labor force for a project may be drawn. Applicants should relate their projects to local and regional development plans and where possible, submit projects that would implement long-range plans.

*Senate amendment*

No comparable provision.

*Conference substitute*

Same as the House bill, except that the Secretary shall notify those States and local governments with unemployment in excess of the national average of their eligibility under this title.

FAIR LABOR STANDARDS

*House bill*

Makes the Davis-Bacon Act applicable to all grants for projects under this act.

*Senate amendment*

No comparable provision.

*Conference substitute*

Same as the House bill.

SEX DISCRIMINATION

*House bill*

Prohibits any discrimination because of sex on any project receiving grant assistance under this act.

*Senate amendment*

No comparable provision.

*Conference substitute*

Same as the House bill.

AUTHORIZATION OF PROGRAM

*House bill*

Authorizes up to \$5 billion to carry out this act.

*Senate amendment*

No comparable provision.

*Conference substitute*

Authorizes up to \$2.5 billion to carry out this title for the period ending September 30, 1977.

GRANTS TO STATE AND LOCAL GOVERNMENTS FOR PUBLIC WORKS PROJECTS

*House bill*

No comparable provision

*Senate amendment*

Adds a new section 107 to the Public Works and Economic Development Act of 1965 as follows:

(a) authorizes the Secretary upon application of State or local government to make supplementary grants for Federal aid public works projects in such amount as to bring the Federal share to 100% of cost. Basic grant funds must be immediately available and construction not started because of lack of matching share. Grant funds cannot be used to purchase land.

(b) (1) authorizes grants for cost overruns on Federal projects. Grants are limited to the maximum percentage of the Federal participation authorized.

(2) applications must set forth information on project, its job effectiveness and area to be served by the project. The Secretary must review applications and with the concurrence of the agency funding the project select those projects which best serve the employment objectives of this section.

(c) authorizes grants for construction, repair, renovation of State and local public works projects for which Federal assistance is authorized other than by the Public Works and Economic Development Act. These grants will be 100% grants.

(d) First priority must be given to projects that will have on-site labor within 90 days of project approval in the following order:

1. Supplemental grants authorized by subsection (a)
2. Cost overrun grants authorized by subsection (b) and
3. 100 percent grants authorized by subsection (c)

(e) (1) No more than 15 percent of funds appropriated may go to any one State. At least  $\frac{1}{2}$  of 1 percent must be granted to Guam, Virgin Islands, and American Samoa.

(2) No grants may be made for maintenance.

(f) Assistance under this section is available only to designated C.E.T.A. areas and areas designated by the Secretary of Labor as having  $6\frac{1}{2}$  unemployment or more for the most recent three months. As long as the national unemployment rate is  $6\frac{1}{2}$  percent or more, the Secretary must give priority to project applications from areas of unemployment in excess of the national average. 70 percent of the funds appropriated must go to these areas. The grant program is suspended when the national unemployment rate goes below  $6\frac{1}{2}$  percent.

(g) Section 103 (15 percent limitation to any one state) and Section 104 (prohibition of Title I assistance to Appalachia) of the Economic Development Act do not apply to this section.

(h) Grants are to be made in accordance with the same regulations promulgated for the public facility grants authorized by the Economic Development Act except the Secretary should not consider the severity and duration of unemployment and the income levels of families and extent of underemployment as required by Section 101(d) nor should the Secretary require an Overall Economic Development Plan (OEDP) as required by Section 101(a)(1)(c). Any revision to the regulations must be made within 30 days of enactment.

(i) In selecting projects, Secretary must consider the extent and severity of unemployment, the level and extent of construction unemployment and, extent project will reduce unemployment in the area. Determination on applications must be made within 60 days of receipt.

(j) Unemployment statistics are to be determined by the Secretary of Labor, State or local governments may present the Secretary of Commerce with information on actual unemployment of an area.

(k) Authorizes \$1 billion for Fiscal Year 1976.

*Conference substitute*

No comparable provision.

## TITLE II

## ANTIRECESSION PROVISIONS

*House bill*

No comparable provision.

*Senate amendment*

## FINDINGS OF FACT AND DECLARATION OF POLICY

Section 201 sets out congressional findings concerning the impact of recession on state and local governments and further declares it to be national policy to make state and local government budget-related actions more consistent with Federal efforts to stimulate national economic recovery.

## FINANCIAL ASSISTANCE AUTHORIZED

Section 202 authorizes for each of 5 succeeding calendar quarters (beginning with the calendar quarter which begins on April 1, 1976) \$125 million when the national seasonally adjusted unemployment rate reaches 6 percent plus an additional \$62.5 million for each one-half percentage point over 6 percent. On an annual basis, that means \$500 million would be authorized when the national seasonally adjusted unemployment rate reaches 6 percent and an additional \$250 million would be authorized for each percentage point the national seasonally adjusted unemployment rate rises over 6 percent. All unemployment data to be used in the implementation of this title shall, because of limitations on data gathering, be from the quarter ending three months before the quarter in which a payment is to be made.

Section 202 further provides that no funds would be authorized for any calendar quarter during which the national unemployment rate averaged under 6 percent or for any quarter in which the last month's unemployment rate was below.

## ALLOCATION

Section 203(a) provides that the Secretary of the Treasury shall reserve one-third of the authorized funds for distribution to State

governments and two-thirds of the authorized funds for distribution to local governments.

Section 203(b) provides that allocation to each State government be made according to a formula of its excess unemployment rate times its taxes raised. For a State government, the excess unemployment rate is defined as its unemployment rate during the most recent calendar quarter minus its unemployment rate during 1967-69.

Section 203(c) provides that allocations to local government would be made according to the same formula—excess unemployment rate times adjusted taxes raised.

The excess unemployment rate for local governments is defined as each local government's unemployment rate minus 4.5 percent. The 4.5 percent figure is used as the base period unemployment rate because the Labor Department has no data for local government unemployment rates during the last period that the national unemployment rate was below 4.5 percent. Unemployment over and above 4.5 percent is considered excess unemployment in other Federal programs, such as the Comprehensive Employment and Training Act of 1973.

In the case of local governments, tax collections by each local government are adjusted to exclude taxes raised for education purposes. The reason for this exclusion is that countercyclical assistance is intended to stabilize the budgets of only general purpose governments and those governments should not be given credit for taxes which they did not actually raise.

For each local government for which the Labor Department has verified unemployment statistics (about 1,200-1,500 in all), there would be an allocated share under the formula. For those local governments for which the Labor Department does not have verified unemployment data, funds would be set aside in each State to be distributed according to an allocation plan submitted by the State. If the State did not submit a plan or had its plan rejected by the Secretary, then the Secretary would prepare such a plan. The funds in this category would be distributed by the Secretary.

In computing the allocated share for all other local governments, for which the Labor Department does not have verified unemployment statistics, the aggregate unemployment and tax data for all jurisdictions—other than identifiable jurisdictions in the State—would be entered into the formula, as if they constituted one government, in a balance of State category.

This section also defines the term "local government" as the government of a county, municipality, township, or other unit of government below the State which is a unit of general government (determined on the basis of the same principals as are used by the Social and Economic Statistics Administration for general statistical purposes).

#### CONTINGENCY FUND

Sections 204 (a) and (b) provide that the Secretary of the Treasury reserve from the amount authorized for this program for each calendar quarter an amount equal to that not paid to jurisdictions with unemployment less than 6 percent, but in no case more than 10 percent of the total authorized amount for the purpose of making additional

emergency support grants to State and local governments which are in severe fiscal difficulty. The Secretary is required to spend at least 75 percent of the contingency fund for grants under this section. No State or local jurisdiction may receive a grant out of the contingency fund that is more than 10 percent of its formula allocation or more than 15 percent of the total contingency fund.

Section 204(c) provides that Puerto Rico, the Virgin Islands, Guam, and the Trust Territories of the Pacific may be eligible for grants out of the contingency fund, though not more than 10 percent of the contingency fund can be spent for that purpose.

Section 204(d) sets out the criteria for determining severe fiscal difficulty.

#### USE OF EMERGENCY SUPPORT GRANTS

Section 205 provides that grants under this program should be used for the maintenance of basic services ordinarily provided by the State and local governments and that State and local governments shall not use funds received under this Act for the acquisition of supplies and materials or for construction unless essential to maintain basic services.

The funds under this Act are intended to be used to maintain service and employment levels without increasing taxes and not to buy heavy equipment or for major construction projects.

#### APPLICATIONS

Section 206(a) establishes an application procedure for State governments and identifiable local governments eligible to receive assistance under the Act.

Section 206(b) provides that applications for payment of funds to other local governments may be filed by the States. This section also delineates requirements that State plans for allocating funds to other local governments must meet.

Section 206(c) provides that the Secretary of the Treasury shall approve any application which meets the requirements of this Act within 30 days and shall not finally disapprove, in whole or in part, any application for an emergency support grant under this Act without first affording the State or local government reasonable notice and an opportunity for a hearing.

#### NONDISCRIMINATION

Section 207 provides that no person, on the grounds of race, color, national origin, or sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with funds made available under this legislation.

#### LABOR STANDARDS

Section 208 provides that laborers and mechanics employed by contractors on all construction programs funded under this Act be paid wages at rates not less than those prevailing on similar projects in the locality as determined by the Secretary of Labor under the Davis-Bacon Act.



## SPECIAL REPORTS

Section 209 provides that each State or local government which receives a grant under this Act shall report to the Secretary, within 6 months, any increase or decrease in any tax which it imposes and substantial reductions in employment levels or in services which that jurisdiction provides. It also requires State governments to report any decreases in the amount of assistance they provide local governments.

## PAYMENTS

Section 210 gives the Secretary of the Treasury the authority to make payments from the funds authorized under this Act. It further allows payments to be made in installments in advance or by way of reimbursement, with necessary adjustments on account of overpayments and underpayments.

Section 210(c) provides that no fund be paid to any State or local government under this Act for any calendar quarter if the unemployment rate within that jurisdiction during the calendar quarter for which the payment is made or during the last month of that quarter was less than 6 percent.

## STATE AND LOCAL GOVERNMENT ECONOMICIZATION

Section 211 provides that each recipient government must certify in good faith to the Secretary that it has taken steps of its own to economize and that without countercyclical assistance it would not be able to maintain essential service levels without increasing taxes.

## WITHHOLDING

Section 212 requires the Secretary of the Treasury to withhold funds from any jurisdiction which fails to comply substantially with any of the provisions set forth in the application it submitted for funds under this Act. Funds will continue to be withheld until the Secretary of the Treasury is satisfied that compliance has been achieved.

## REPORTS

Section 213 requires the Secretary of the Treasury to report as soon as practical after the end of each calendar quarter on the implementation of the program.

## ADMINISTRATION

Section 214 authorizes the Secretary of the Treasury, after consultation with the Secretary of Labor, to prescribe such rules as may be necessary to carry out the Act. That section also provides the Secretary of the Treasury with the authority to use services and facilities of any agency of the Federal Government and of any other public agency or institution in accordance with appropriate agreements and to pay for such services either in advance or by way of reimbursement as may be agreed upon.

## PROGRAM

Section 215(a) requires the Comptroller General of the United States to report to Congress within 2 years on the impact of this program in State and local governments and on the macroeconomic impact of this program.

The Comptroller General is directed to conduct such an investigation in coordination with the Congressional Budget Office and the Advisory Commission on Intergovernmental Relations. The committee intends that the Government Accounting Office retain the principal authority in this investigation, and that the Congressional Budget Office focus on the macroeconomic impact of the legislation.

Section 215(b) requires the Director of the Congressional Budget Office and the Advisory Commission on Intergovernmental Relations in coordination with the Comptroller General, to report to Congress within 2 years on the most effective means by which the Federal Government can stabilize the national economy during periods of excess expansion and high inflation through programs directed toward State and local governments.

*Conference substitute*

Same as Senate amendment.

*Explanation*

Title II of the Senate amendment provides for the strengthening of the Federal government's role as guarantor of a stable national economy by promoting greater coordination, during times of economic downturn, between national economic policy—as articulated at the Federal level—and budgetary actions of state and local governments. Title II of the Senate amendment would accomplish this purpose by providing emergency Federal assistance to State and local governments hard hit by recessionary pressures, in order to reduce the reliance of these governments upon budgetary actions which run counter to Federal efforts to stimulate speedier economic recovery. The assistance provided is designed to meet the following criteria of a limited, anti-recession program:

First, the assistance provided would go quickly into the economy, with as little administrative delay as possible.

Second, the assistance provided is selectively targeted, by means of the formula, to go to only those governments substantially affected by the recession.

Third, the assistance provided would phase itself out, as the economy improves.

A fundamental premise underlying Title II of the Senate amendment is that the amount and quality of government services at the state and local levels should not be determined by national economic conditions over which State and local governments have no control. In other words, the conferees, in accepting Title II, have concluded that it is not sound governmental policy for a jurisdiction to be able to provide good police protection, fire protection, trash collection and public education during good economic times, but be forced to lower the

quality of those services significantly, whenever the health of the economy declines.

### IMPACT ON JOBS

The Congressional Budget Office, in a report released in September of 1975, measured the job-producing impact of various anti-recession measures. In this report, the CBO found that a program similar to Title II of the Senate amendment could create as many as 77,000 jobs per \$1 billion initially, and as many as 97,000 jobs after twelve months. This estimate ranked anti-recession aid to state and local governments second highest of the four alternatives, in its employment impact.

### IMPACT ON GOVERNMENT SERVICES

Title II of the Senate amendment will, as the CBO estimated, create thousands of jobs, but it is not designed or intended solely as a jobs program.

To be sure, unemployment is increased when state and local governments lay off workers. But unemployment in the public sector has an even broader impact on national economic recovery.

When a State or local government lays off employees, several things can occur.

First, if the vacant positions are filled with personnel paid for with Federal public service employment funds, then the goal of that Federal effort—to reduce overall unemployment—is blunted.

If the employees laid off are not rehired, they will go on the unemployment rolls. Thus, while payroll costs are reduced, unemployment compensation costs go up.

But the most important impact is on the basic services which State and local governments provide and which make population centers agreeable places in which to live. The demand for these services is as great, if not greater, during bad times as when the economy is healthy.

The demand for certain basic services—such as road maintenance, garbage collection or fire protection—is largely immune to fluctuations in the economy. Though it does not increase during bad times, neither does it decline and allow breathing room in government budgets.

But for many other services, the demand is greater when the economy is depressed. Certain of these services—unemployment compensation, food stamps, welfare benefits—are obviously recession-related. Though some or all of the cost of these benefits may be borne by the Federal Government, the administrative cost falls on the local governments which, when hard pressed to meet existing payrolls, are in no position to add more staff to meet these new administrative burdens.

Other, less obvious services are in greater demand during bad times also. High unemployment may result in a higher crime rate or in higher demands on publicly supported health and mental health services. Families which might ordinarily send a child to a private college may send him to a less expensive State college instead. Or families which had planned to take a vacation might decide to stay at home, and make use of the municipal swimming pool.

While all these pressures are occurring, State and local governments are laying off workers—at just the wrong time.

A case in point is the findings of a recent New York Times News Service survey of big city police departments. The survey found cities like Cleveland, Dallas, Los Angeles, Pittsburgh and Atlanta—all experiencing crime increases of major proportions—cutting back on police personnel or at least not hiring people, because of critical budget pressures.

When events like this occur, it is all the residents of a community who suffer—not just those who are laid off.

### IMPACT ON TAXES

It must be remembered that reducing employment is not the only way that State and local government can have an adverse impact on the economy. They can also raise taxes, thereby absorbing some of the stimulative impact of Federal tax cuts already enacted. In addition, while tax increases may allow local governments to keep their own employees on board, they often aggravate the recessionary pressures that already exist.

Title II of the Senate amendment is designed to lessen the possibility of such tax increases.

### WHO WOULD RECEIVE ASSISTANCE UNDER TITLE II OF THE SENATE AMENDMENT?

All the States and all local governments for which certifiable unemployment data now exists under the CETA program (1,200–1,500 jurisdictions) will be eligible for assistance under Title II of the Senate amendment, providing that their unemployment rate is 6 percent or higher.

One third of the money is set aside for the States, two thirds for local governments.

In computing the States' shares, an allocation is determined for each of the 50 States, on the basis of excess unemployment and taxes. Only those States with unemployment of 6 percent or greater would actually receive that allocation. Allocations computed for States with unemployment less than 6 percent are returned to the Treasury, for use in the contingency fund.

Similarly, in computing local governments' shares, an allocation would be determined for each of the 1,200–1,500 jurisdictions, on the basis of excess unemployment and adjusted taxes. Only those jurisdictions with unemployment of 6 percent or greater would actually receive that allocation, with those for jurisdictions with unemployment less than 6 percent returning to the Treasury.

In every State, apart from the identifiable jurisdictions for which specific unemployment data is available, there is a balance of State category (referred to in the bill as "other than identifiable local governments") which includes all other local jurisdictions in the State. A single allocation is determined for the balance of State category as if it were a single unit of government, using adjusted taxes and unemployment for the entire State minus those for the identifiable jurisdictions.

## ALLOCATIONS FOR BALANCE OF STATE

The balance of State allocation would be distributed by the Secretary, on the basis of a plan drawn up by a State, in consultation with local officials. In the event that a State plan is not provided or is not approved by the Secretary, then the Secretary will draw up a plan for distribution of this money. The distribution plan is to be as much in conformance with the formula as possible. (It is not possible to mandate the use of the formula because of the lack of unemployment data for many jurisdictions in the balance of State.) In the likely event that such unemployment data is not available, then the distribution plans would have to take into account unemployment data for the smallest jurisdiction, in which a balance of State jurisdiction is located, for which data is available. In other words, if a town were located within a labor market or county area for which there was unemployment data, the unemployment rate for the labor market or the county area would be taken into consideration when determining the town's distribution.

## RESIDENCY REQUIREMENTS

During consideration of this title, the conferees addressed the issue of residency requirements as they might be applied to individuals who are employed with funds from emergency support grants. The conferees state that the federal policy shall be neutral. Specifically, the Secretary shall make no regulation which requires an individual, as a condition of employment, to reside within the jurisdiction of the recipient of an emergency support grant; at the same time, the Secretary shall not prohibit a state or local government from establishing a residency requirement applicable to potential participants in programs using funds from emergency support grants.

The conferees agreed to clarify this matter after discussing problems arising out of Department of Labor regulations under the Comprehensive Employment and Training Program of 1973 (CETA). In New York City, and elsewhere, CETA funds are presently being used to rehire a limited number of former city employees who lost the jobs due to recessionary pressures or extreme fiscal hardship. In certain job categories, these former employees do not live within the jurisdiction of the prime sponsor, yet they have a determined status on the approved civil service lists. Normally, individuals are hired or laid-off on the basis of these lists, according to seniority. These are rights won by the city employees in collective bargaining. However, Labor Department regulations are being interpreted to require that participants in CETA programs live within the jurisdiction of the prime sponsor, notwithstanding the fact that the regulations also require the prime sponsor to maintain personnel policies and practices for its employees in accord with State and local laws and regulations that adequately reflect federally-approved merit principles. The effect of this interpretation is to deny re-employment with CETA funds to individuals who do not reside within the jurisdiction of the prime sponsor, without regard to the rights of these individuals won in collective bargaining agreements. This situation has created hardships for many individuals and their families.

In order to avoid similar inequities and problems arising from the administration of emergency support grants under the countercyclical program, the conferees emphasize that the federal policy on residency as a condition of employment is one of neutrality. Residency requirements for employees are to be strictly a matter of respect State or local determination, as the case may be.

## TITLE III

## INTEREST SUPPLEMENTS

*House bill*

No comparable provision.

*Senate amendment*

Amends section 201(c) of the Public Works and Economic Development Act of 1965 (hereinafter referred to as the "Act" in this statement concerning this title) to increase the authorization for fiscal year 1976 from \$75 million to \$200 million. It also makes authorization available for the payment of interest supplements to or on behalf of private entities. It also amends section 202(a)(2) of the Act to authorize an interest subsidy up to four percent for up to ten years to private firms of 1,500 employees or less on working capital loans obtained from a nongovernmental source.

*Conference substitute*

Same as the Senate amendment as to the increase in authorizations; however, the conferees intend that the Secretary be authorized to pay to or on behalf of a private borrower an amount sufficient to reduce up to four percentage points the interest paid by such borrower on any loan guaranteed by the Secretary under this section. These payments must be made no less than annually and no obligation shall be made by the Secretary to make any payment under this paragraph for any loan guaranty made after December 31, 1976.

It is intended that this provision is to be an antirecessionary tool, to be used to aid firm suffering effects of the current recession. Additionally, this interest subsidy is to be used when no reasonable interest rate is available in the private lending market, that is, the subsidy is to be used during times of high interest rates or when such interest rates would be prohibitively expensive for a firm in need of financial assistance to continue current operations. The language limits this subsidy to one calendar year, through December 31, 1976, so that the Committees may have an opportunity to review this program to determine its effectiveness in meeting financial needs of eligible firms.

Lastly, the Conferees agreed that entities employing less than 1500 people should have preference for such interest subsidies. An entity may be an autonomous corporation, a wholly owned subsidiary of a parent corporation, a plant of a corporation, or the like, but it is not in any way restricted to an autonomous corporation.

## URBAN ECONOMIC DEVELOPMENT

*Conference substitute*

The conference substitute adds a new section 405 to the Act to authorize the Secretary to designate as a "redevelopment area" any city with a population of 50,000 or more as long as it submits and has approved

by the Secretary an overall economic development program in accordance with Section 202(b)(10) of the Act. Nothing in this section is intended to be construed as to prohibit the designation of a city as a "redevelopment area" or a part thereof under this section in addition to its designation as a "redevelopment area" under any other provision of this Act. Also, this section should not be construed to prohibit a city designated under this section and another provision of this Act from receiving assistance through the expenditure of funds both under this section and any other provision in this Act.

If a city designated under this section prepares a plan for the redevelopment of the city or a part of it and submits its plan to the Secretary, and the Secretary approves such plan, he is authorized to make a grant to the city for the purpose of carrying out the plan. Any grant made by the Secretary on this section must be made on the condition that the city will use such grant to make grants or loans or both to carry out the plan and that the repayments of any loans to the city be placed in a revolving fund by the city to be available for making other grants or loans by the city upon the approval of the Secretary for the redevelopment of the city. \$50 million for fiscal year 1976 and \$50 million for the transition period are authorized to carry out this section.

In determining eligibility of cities for assistance under this section, it is intended that a city must have a population of 50,000 persons or more according to the latest decennial or subsequent special census counts as reported by the Bureau of the Census. When the published population estimates of the Bureau of the Census are used to determine eligibility, the Secretary may allow up to a five percent variation in population estimates in order to reflect changes in population since the last official census.

In defining the term "city" in Section 405(a)(B)(iii) it is the intent of the Conferees that a city either contains within its boundaries no incorporated places as defined by the Bureau of the Census or contains 50,000 people outside the boundaries of all incorporated places which are located within the city. In those cases where a township has a population of 50,000 or more outside of incorporated places, any funds authorized under this Act may be used only outside the corporate limits of those places.

#### DEFINITIONS

##### *House bill*

No comparable provision.

##### *Senate amendment*

Amends Section 1002 of the Act to delete, in the definition of eligible area, areas designated pursuant to Section 401 of the Public Works and Economic Development Act. In addition, if the national unemployment rate is 6½ percent or more, the Secretary must give priority to project applications for areas of unemployment in excess of the national average—70 percent of the funds appropriated must go to these areas. The grant program is suspended when the national unemployment rate goes below 6½ percent. Not more than 15 percent of funds appropriated may go to any State and at least ½ of 1 percent be used for projects in Guam, Virgin Islands and American Samoa.

##### *Conference substitute*

Restores original definition of areas eligible for assistance under Title X as currently defined in the Act and transfers the priority language contained in the Senate amendment to section 1003(e) of the Act.

#### PROGRAMS AUTHORIZED

##### *House bill*

No comparable provision.

##### *Senate amendment*

Amends Sec. 1003(c) of the Act to delete Secretary's authority to initiate programs and authorizes him to assist eligible areas make applications for grants.

(b) Amends Sec. 1003(d) to make funds available only for projects where the Secretary determines that the project gives consideration to the needs of the unemployed in the area, that the project can be started promptly and be substantially completed within 12 months, and that priority is given to projects that are most job effective.

(c) Eliminates Secretary of Labor and existing project criteria from Section 1003(e).

##### *Conference substitute*

Same as Senate amendment except that the Secretary must give priority to programs and projects which are most effective in creating and maintaining productive employment, including permanent and skilled employment, measured as the amount of such direct and indirect employment generated and supported by the additional expenditures of Federal funds under this title, and must consider the appropriateness of the proposed activity to the number and needs of the unemployed persons in the eligible area.

The Conference Committee is concerned about the procedure used in the selection of programs and projects under the Jobs Opportunities Program in the first year. Based on the results of the first experiences under this program, it is doubtful that a solely mechanistic selection process can achieve the full potential and desired effect of the program. The Conference Committee can understand the need for assistance from a computer when dealing with such a large and diverse number of programs in a very short time. It would appear, however, that individual judgment will need to be exercised in order to achieve the desired results. Congress intended when it passed Title X, and this bill is designed to reinforce the intent, that the Secretary undertake a project-by-project evaluation so that the most job-effective activities are selected.

The Economic Development Administration is the only Federal agency whose mission is long-term economic development and the creation of jobs. Based on the agency's long experience and background, it is the most logical choice to administer the Jobs Opportunities Program. As indicated before, judgment must be exercised in the administration of the program and EDA's long experience gives it the expertise to make these judgments. As this program is an addition to EDA's regular long-term responsibilities, the Conference Committee wants to make clear its intent that EDA be given the responsibility for directing and administering the Title X program.

## PROGRAM REVIEW

*House bill*

No comparable provision.

*Senate amendment*

Amends Section 1004 of the act to require a review within 45 days of enactment or appropriation by every Federal department or agency of its development plans and budget to evaluate their programs and projects for job creation for which funds are proposed or could be obligated with Federal assistance in the calendar year; and submit to the Secretary programs and projects which have the greatest potential to stimulate the creation of jobs in the area. The Secretary, within 45 days of receipt, shall review projects and allocate in conformity with priorities set forth in the Title.

States and political subdivisions in any eligible area may submit their project applications to the appropriate Federal agency for Federal assistance under this Title. The Secretary in reviewing programs and projects for any eligible area must give priority to those sponsored by States and political subdivisions.

*Conference substitute*

Same as Senate amendment except that the conferees want to make clear that the provision in the Act requiring agencies to evaluate programs and projects for which funds are to be obligated is not intended to allow an agency to replace other appropriated funds with funds received under title X. The provision is intended to direct agencies to review their plans and budgets to determine if their regular programs are being used in the most effective job-creating way at this time of such high national unemployment.

## LIMITATION ON USE OF FUNDS

*House bill*

No comparable provision.

*Senate provision*

Strikes from the Act section 1005 which requires that 50 percent of funds appropriated are to be used on projects where not more than 25 percent of the funds will be expended on non-labor costs.

*Conference substitute*

Same as the Senate amendment.

## RULES AND REGULATIONS

*House bill*

No comparable provision.

*Senate amendment*

Amends Section 1006 of the Act, which requires equitable distribution of funds between urban and rural areas, to add a condition that such distribution is not necessary if it would require grants in areas that would not meet the criteria of the title.

*Conference substitute*

Same as Senate amendment.

## AUTHORIZATIONS OF APPROPRIATIONS

*House bill*

No comparable provision.

*Senate amendment*

Amends section 1007 of the Act to authorize \$1 billion for Fiscal Year 1976 and makes the funds available for obligation until June 30, 1976.

*Conference substitute*

Amends Section 1007 of the Act to authorize \$500 million for Fiscal Year 1976 and makes the funds available for obligation until September 30, 1976. In addition, a new subsection is added to make clear that funds authorized to carry out this title shall be in addition to, and not in lieu of, any funds authorized by other provisions of law.

Title X funds shall be used to provide additional funds for projects eligible under this Act. These funds are not intended to take the place of funds which have already been budgeted by another agency or are part of the future budget of another agency. Title X funds shall be used to supplement existing programs rather than to substitute for funds that would have been expended or are about to be expended through another program or agency.

## TERMINATION DATE

*House bill*

No comparable provision.

*Senate amendment*

Amends section 1008 of the Act to extend the termination date of this title to June 30, 1976.

*Conference substitute*

Amends section 1008 of the Act to extend the termination date of this title to September 30, 1976.

## LIMIT ON AUTHORITY TO OBLIGATE

*House bill*

No comparable provision.

*Senate amendment*

Authority to obligate appropriated funds under amendments of this Act to Title I and X of the Public Works and Economic Development Act is limited to \$2 billion when the national unemployment rate is 9 percent or more. For each quarterly decline of  $\frac{1}{2}$  of 1 percent, the authority of the Secretary to obligate funds is reduced by  $\frac{1}{4}$  of funds appropriated not to exceed  $\frac{1}{2}$  billion. For each increase of  $\frac{1}{2}$  of 1 percent up to 9 percent the authority of the Secretary to obligate appropriated funds is increased by  $\frac{1}{4}$  not to exceed  $\frac{1}{2}$  billion.

*Conference substitute*

No comparable provision.

## NOTICE TO ELIGIBLE AREAS

*House bill*

No comparable provision.

*Senate amendment*

Requires the Secretary of Commerce to notify in a timely and uniform manner areas of their eligibility for assistance under this Act.

*Conference substitute*

Requires the Secretary of Commerce to notify in a timely and uniform manner state and local governments having areas eligible for assistance under this title.

## CONSTRUCTION COSTS

*Conference substitute*

Title X of the Act is further amended by adding a new section 1008 to make clear that no program or project originally approved for funds under an existing program be ineligible for assistance under this title solely because of increased construction costs.

The Conference Committee wishes to clarify its intent that Title X funds may be used to cover construction cost overruns if the project meets the other requirements of this Act. If a community has received a grant or supplemental grant for a project and the project is presently halted due to inflation or increased construction costs, which have increased the total project cost beyond the amount of the original grant, Title X funds may be used to cover this cost increase.

## EXPIRATION OF AMENDMENTS TO THE PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT

*House bill*

No comparable provision.

*Senate amendment*

Requires that all amendments to the Public Works and Economic Development Act of 1965 made by this Act shall expire on June 30, 1976.

*Conference substitute*

No comparable provision.

## ALLOTMENT OF WASTEWATER TREATMENT WORKS CONSTRUCTION GRANT FUNDS

*House bill*

No comparable provision.

*Senate amendment*

Section 301(1) amends section 205(a) of the Federal Water Pollution Control Act and requires the Administrator to reallocate the \$9 billion for construction of publicly-owned wastewater treatment works which was allotted in February 1975 by the Administrator of the Environmental Protection Agency in accordance with the formulas prescribed in the Act. The new allotment formula is based one-half in the ratio that the population of each State bears to all the States, and one-half on the basis of Table SP-3 in the final report to Congress dated February 10, 1975, as revised May 6, 1975, entitled, "Cost Estimates for Construction of the Publicly-Owned Wastewater Treatment Facilities, 1974 'Needs' Survey." In no case, however, would the allotment of any State be reduced below such amount as may have been obligated from the February 1975 allotment prior to the date of

enactment of this provision. Section 301 (2) requires that funds authorized for fiscal years which begin after the fiscal year ending June 30, 1975, shall be allotted among the States one-half in the ratio that the population of each State bears to the population of all States, and one half of the basis of table SP-3 in the final report to Congress dated February 10, 1975, entitled "Cost Estimates for the Construction of Publicly-Owned Wastewater Treatment Facilities, 1974 'Needs' Survey."

*Conference substitute*

Section 311 (a) of the conference substitute authorizes an appropriation of \$1,417,968,050 for the fiscal year ending September 30, 1977, for grants for the construction of publicly-owned wastewater treatment works, pursuant to Title II of the Federal Water Pollution Control Act. This authorization is subject to such amounts as are provided in appropriation Acts. The authorized sums shall be allotted to the eligible States in accordance with the percentages provided in column 5 of table IV contained in House Public Works and Transportation Committee Print numbered 94-25. This table sets forth the percentages for each State to be used by the Administrator of the Environmental Protection Agency in allotting funds pursuant to this section. Those States eligible to receive allotments pursuant to this section are those which would have received a greater allotment than they actually received had the Senate amendment been utilized by the Administrator in February 1975 to allot the \$9 billion. Funds allotted pursuant to this section shall remain available until expended.

The conference substitute requires the Administrator, within 45 days from the date of enactment of this section, to report to Congress his recommendations for a formula or formulas to be used to allot equitably new authorizations of funds to carry out Title II of the Federal Water Pollution Control Act. This reporting requirement was added by the Conferees to provide a possible basis for allotments of future authorizations.

*Conference substitute*

The conferees agreed to an amendment to the title of the bill to more accurately reflect the text proposed in this conference substitute.

ROBERT E. JONES,  
JIM WRIGHT,  
HAROLD T. JOHNSON,  
ROBERT A. ROE,  
BELLA S. ABZUG,

*Managers on the Part of the House.*

JENNINGS RANDOLPH,  
EDMUND S. MUSKIE,  
JOSEPH M. MONTROYA,  
QUENTIN N. BURDICK,  
ABRAHAM RIBICOFF,  
JOHN GLENN,  
HOWARD H. BAKER,  
JAMES L. BUCKLEY,  
JAMES A. McCLURE,  
JACOB J. JAVITS,

*Managers on the Part of the Senate.*

RED TAG

THE WHITE HOUSE

WASHINGTON

January 22, 1976

MEMORANDUM FOR:

MAX L. FRIEDERSDORF

THRU:

VERN LOEN *VL*

FROM:

CHARLES LEPPERT, JR. *CLJ.*

SUBJECT:

Local Public Works Bill

At this morning's staff meeting you requested a status report on an employment bill that was kicking around the Hill and an assessment of when the bill would be sent to the White House.

The bill is H. R. 5247, the Local Public Works Capital Development and Investment Act of 1975. The status of the bill is as follows:

- 5/12/75 - Reported from House Public Works Committee
- 5/20/75 - Passed House
- 5/21/75 - Referred to Senate Public Works Committee
- 7/29/75 - Passes Senate, amended
- 11/11/75 - House requests Conference
- 11/13/75 - Senate agrees to conference
- 12/17/75 - Senate passes conference report.

The House Public Works Committee is anticipating going to the House Rules Committee the week of January 26th, for a rule waiving points of order against the Conference report because of the addition of matters not within the scope of the Conference. It is also anticipated that the House will be asked to consider the Conference report the week of January 26 or February 2nd. This information is anticipated because at this writing House Public Works had made a firm decision on when it was going to move the bill. Rules Committee reports no requests for a rule waiving points of order.

The bill authorizes \$6.125 billion for local public works development as follows:

- 2.5 billion for local public works construction
- 500 million for small projects under title 10, EDA
- 125 million for a business loan program, title 2, EDA
- 100 million for urban economic development (new)
- 1.5 billion for a counter cyclical Grant program (new)
- 1.4 billion for additional grants for waste treatment.

The Administration through OMB and EDA have expressed Administration opposition to the Conference Report.

The Conference Report passed the Senate by a voice vote on 12/17/75 and attached is the Senate debate and action on the Conference Report.

Attachment



During his 5 years as a member of the Court of Appeals for the Seventh Circuit, he has demonstrated his judicial fitness and temperament. His professional qualifications are unquestioned by those who have had contact with Judge Stevens or have studied his remarkable record of accomplishment. His personal integrity, as reflected in his financial statements and income tax returns, is of the highest order.

The intellectual capability of Judge Stevens is unchallenged. He has written more than 200 opinions as a member of the court of appeals. Those opinions, according to legal scholars who studied them in depth, illustrate the soundness of his reasoning, and his legal essays reveal a clarity and precision which highlights his competence. Beyond this, his writings indicate a depth of comprehension of antitrust matters which will prove of tremendous value in the future as the legal system is required to cope with our extremely complicated economic structure.

As chairman of the Subcommittee on Constitutional Rights of the Judiciary Committee, I have been dedicated to the task of assuring that the fundamental rights guaranteed to all citizens by the Constitution shall be preserved. Necessary to this endeavor is the full extension of such rights to groups in our society who traditionally have not enjoyed their benefits. In this regard, Judge Stevens, in his opinions in *Sprogis v. United Airlines, Inc.* (444 F. 2d 1194, 7th Cir. 1971) and *Doe v. Bellin Memorial Hospital* (479 F. 2d 756, 7th Cir. 1974) developed what can be construed as insensitivity to the struggle by women for full equality. In addition, his statements in the hearings on the equal rights amendment concern me because he seemed unfamiliar with both recent case law on equal protection of women under the 14th amendment, and the considerable public discussion justifying the need for a constitutional amendment.

When Justice Douglas resigned, I called on the President to nominate someone of his distinction and stature. In my view, several women were well qualified for the nomination, and it is certainly true that women are underrepresented on Federal and State courts at all levels. The President did not choose a woman, and after careful review of this nominee's record on women's issues, I must conclude that he is fair although not conspicuously compassionate about the needs of a majority of our population.

I fervently hope that he will retain, during his tenure on the Court, the memory of the two great Justices who have preceded him in this seat, Mr. Justice Brandeis and Mr. Justice Douglas, and that he will strive, with sensitivity and compassion, as they so gallantly did, to preserve and protect inviolate the fundamental rights of all Americans.

The ACTING PRESIDENT pro tempore: All time has expired.

Under the previous order, the hour of 1 p.m. having arrived, the Senate will now proceed to vote on the nomination of Mr. John P. Stevens to be an Associate Justice of the U.S. Supreme Court.

The question is, Will the Senate advise

and consent to the nomination of John P. Stevens to be an Associate Justice of the U.S. Supreme Court? The yeas and nays are ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. ROBERT C. BYRD. I announce that the Senator from Indiana (Mr. BAYH) is necessarily absent.

I also announce that the Senator from Alabama (Mr. ALLEN) is absent because of illness.

The yeas and nays resulted—yeas 98, nays 0, as follows:

(Rollcall Vote No. 603 Ex.)

YEAS—98

Abourezk	Gravel	Moss
Baker	Griffin	Muskie
Bartlett	Hansen	Nelson
Beall	Hart, Gary	Nunn
Bellmon	Hart, Philip A.	Packwood
Bentsen	Hartke	Pastore
Biden	Haskell	Pearson
Brock	Hatfield	Pell
Brooke	Hathaway	Percy
Buckley	Helms	Proxmire
Bumpers	Hollings	Randolph
Burdick	Hruska	Ribicoff
Byrd,	Huddleston	Roth
Harry F., Jr.	Humphrey	Schweiker
Byrd, Robert C.	Inouye	Scott, Hugh
Cannon	Jackson	Scott,
Case	Javits	William
Chiles	Johnston	Sparkman
Church	Kennedy	Stafford
Clark	Laxalt	Stennis
Cranston	Leahy	Stevens
Culver	Long	Stevenson
Curtis	Magnuson	Stone
Dole	Mansfield	Symington
Domenici	Mathias	Taft
Durkin	McClellan	Talmadge
Eagleton	McClure	Thurmond
Eastland	McGee	Tower
Fannin	McGovern	Tunney
Fong	McIntyre	Weicker
Ford	Metcalf	Williams
Garn	Mondale	Young
Glenn	Montoya	
Goldwater	Morgan	

NAYS—0

NOT VOTING—2

Allen Bayh

The ACTING PRESIDENT pro tempore. On this vote the yeas are 98, the nays are 0. The nomination is confirmed.

Mr. HRUSKA. Mr. President, I ask unanimous consent that the President be notified of the confirmation of the nomination.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

LEGISLATIVE SESSION

The ACTING PRESIDENT pro tempore. The Senate will return to legislative session.

The Senate resumed the consideration of legislative business.

SENATE JOINT RESOLUTION 153—  
EXTENDING THE FILING DATE OF  
THE 1976 JOINT ECONOMIC COM-  
MITTEE REPORT

Mr. MANSFIELD. Mr. President, I send to the desk a joint resolution and ask for its immediate consideration. I do so on behalf of the distinguished Senator from Wisconsin (Mr. PROXMIRE).

Mr. President, I offer this resolution at the request of the White House. It would permit the President to delay for 6 days his submission of his 1976 Economic Report as required under the Employment

Act of 1946. The resolution would also authorize a corresponding delay in the report of the Joint Economic Committee on the President's report. The resolution has been agreed to be the chairman of the Joint Economic Committee and is agreeable to the minority.

The ACTING PRESIDENT pro tempore. The joint resolution will be read for the information of the Senate.

The joint resolution (S.J. Res. 153) was read the first time by title, and the second time at length, as follows:

SENATE JOINT RESOLUTION 153

EXTENDING THE FILING DATE OF THE 1976 JOINT ECONOMIC COMMITTEE REPORT

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) notwithstanding the provisions of section 3(a) of the Employment Act of 1946 (15 U.S.C. 1022(a)), the President shall transmit the 1976 Economic Report to the Congress not later than January 26, 1976, and (b) notwithstanding the provisions of clause (3) of section 5(b) of such Act (15 U.S.C. 1024(b)), the Joint Economic Committee shall file its report on the President's 1976 Economic Report with the Senate and the House of Representatives not later than March 19, 1976.

The ACTING PRESIDENT pro tempore. Is there objection to the immediate consideration of the joint resolution?

There being no objection, the joint resolution (S.J. Res. 153) was considered, ordered to be engrossed for a third reading, read the third time, and passed.

LOCAL PUBLIC WORKS CAPITAL  
DEVELOPMENT AND INVESTMENT  
ACT OF 1975—CONFERENCE RE-  
PORT

The ACTING PRESIDENT pro tempore. Under the previous order, the Senate will now proceed to the consideration of the conference report on H.R. 5247, which will be stated by title.

The assistant legislative clerk read as follows:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 5247) to authorize a local public works capital development and investment program, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses this report, signed by a majority of the conferees.

The ACTING PRESIDENT pro tempore. The time on this conference report is limited to 5 minutes; to be equally divided and controlled by the Senator from West Virginia (Mr. RANDOLPH) and the Senator from Tennessee (Mr. BAKER).

The Senator from West Virginia is recognized.

Mr. RANDOLPH. Mr. President, the able Senator from New Mexico (Mr. MONTOYA) serves as chairman of the Subcommittee on Economic Development of the Senate Public Works Committee. It is my desire that in the handling of the conference report, the time be turned to the disposition of the Senator from New Mexico.

The ACTING PRESIDENT pro tempore. The Senator from New Mexico is recognized.

Mr. BAKER. Will the Senator yield for a brief moment?

Mr. RANDOLPH. Mr. President, I yield to my distinguished colleague from Tennessee (Mr. BAKER), the ranking Republican member of the Senate Public Works Committee.

Mr. BAKER. Mr. President, the House and Senate conferees have completed action on H.R. 5247, the Public Works Employment Act of 1975.

The conference report covers several programs, principally local public works, the wastewater treatment construction amendment, the jobs opportunities program, and countercyclical assistance. I would like briefly to discuss each of these and to conclude by mentioning a new urban economic development amendment added by the House.

The first title of the conference report is the local public works construction program originally sponsored by the House. Essentially the program provides 100 percent grants for the construction of public works with priority to projects in areas with an unemployment rate equal to or above the national rate.

The House provision agreed to by the conferees is similar in purpose to that in the Senate bill, S. 1587, passed in July. The primary difference between the two bills was the size of the program. The House originally authorized \$5 billion, the Senate bill authorized \$1 billion. The conferees agreed to an authorization of \$2.5 billion through September, 1977.

A major change made by the conferees relates to the wastewater treatment construction amendment in the Senate bill. During consideration of the public works employment bill in July, the Senate adopted a floor amendment reallocating grant funds available under the wastewater treatment construction program. The amendment is popularly known as the Talmadge-Nunn amendment after its two principal Senate sponsors.

The House conferees opposed the reallocation amendment and offered an alternative to the Senate provision. The House proposal was adopted by the conferees. Under the conference agreement, allocation of the \$9 billion made by the President in February would remain. Each state will receive its allocation as provided under existing law. In lieu of the reallocation, the conference report authorizes an appropriation of \$1.4 billion to be allocated to the 37 States which would have received increased allotments under the Talmadge-Nunn formula. The \$1.4 billion figure is the difference between what the States would receive under the existing formula, used to allocate the \$9 billion, and the increases States would have received under the Talmadge-Nunn amendment. For a further explanation and tables listing each State's share, I refer each Member to the committee print entitled "Allotment of Grant Funds for the Construction of Publicly Owned Wastewater Treatment Works" which has been placed on each desk.

The authorization in the report will not be effective until fiscal year 1977 but will remain available until expended. This authority to appropriate additional funds provides a means to supplement the funds already allotted to the States under the Federal Water Pollu-

tion Control Act. The allocation agreed to by the conferees relates only to this additional authorization. The Public Works Committee intends to address the question of future authorizations and an allocation formula next year.

I am glad that the conference agreement continues the job opportunities program, as contained in the Senate bill, through September 30, 1976, with an authorization level of \$500 million. The Senate bill made several changes in the program to strengthen the original intent of the program.

I cosponsored the job opportunities program last year with Senator RANDOLPH, Senator McCURE and Senator DOMENICI. The idea is to create meaningful jobs quickly and efficiently. I believe this approach complements the accelerated public works program contained in title I of the bill.

The conferees also adopted the Senate amendment authorizing antirecessionary grants to State and local governments. The program will begin April 1, 1976, and run for five quarters.

It is estimated that payments in the first quarter will be about \$375 million. Outlays in future quarters will depend on the levels of national unemployment.

During consideration of this section, Senator BUCKLEY cited residency requirement problems created by Department of Labor regulations under the comprehensive employment and training program—CETA. In order to avoid similar inequities and problems arising from the administration of emergency support grants under the countercyclical program, the conferees emphasize that the Federal policy on residency as a condition of employment is one of neutrality. Residency requirements for employees are to be strictly a matter of respective State or local determination, as the case may be.

Before concluding I would like to mention the urban amendment added by the House managers during the conference.

The House provision amends the Public Works and Economic Development Act to make all urban areas with a population of 50,000 or more eligible for EDA's regular long-term assistance program. The bill also authorizes for these new areas broad, special program authorities not now included in the act.

The House proposal was not included in either version of the bill in conference. The amendment which is a major departure from the existing EDA program, had not been considered by either the House Public Works Committee or the Senate. I believe legislation of this scope, authorizing new eligible areas and broad new program authority, should be carefully considered and discussed.

There may be need to change or streamline the criteria used to designate EDA areas. But this amendment goes far beyond an easing of the criteria to help distressed urban areas. In fact, it alters the entire process by which areas become eligible for aid and the way assistance is granted and used.

EDA was fashioned by Congress to promote economic development in distressed areas and criteria were established in the act for eligibility. The "need" cri-

teria focused the limited assistance available under the program. The House amendment could make a healthy, prospering community as eligible as a distressed area. There is no guide to the Secretary in administering the program. I fear our effort will become so diluted, so scattered, that the good record established by EDA over the years will be jeopardized.

The public works bills in conference were antirecessionary measures—temporary programs to create quick jobs to help ease the high level of national unemployment. The House proposal is an addition to EDA's regular long range program to promote development in distressed areas.

We may all agree that there is need to look at the urban aspects of EDA's program. This would be done, however, when the committees consider EDA extension legislation now pending before the Economic Development Subcommittees. I do not understand why this program had to be added in conference when the regular legislation will be considered early next year. I do not believe the purposes of the ongoing program are served by this method of legislating.

Mr. President, I want to acknowledge the diligence and untiring effort of the chairman, Senator RANDOLPH, in securing an agreement on this legislation. I would also like to commend my fellow conferees Senator MONTROYA and Senator McCURE for their attention and continued effort through this long conference.

I relinquish my time, Mr. President, to the distinguished Senator from Idaho (Mr. McCURE).

Mr. MONTROYA. Mr. President, we are at last completing action on H.R. 5247, the Public Works Employment Act of 1975. I am happy to report that conferees have agreed upon a bill that will provide for tens of thousands of new jobs for those who desperately need jobs.

The bill agreed to by the conferees provides authorization for a total of \$6.125 billion over a 2-year period, distributed among six different program categories. Authority is provided for some of these programs until June 30, 1976, some through the transition quarter to September 30, 1976, and others until the end of fiscal year 1977. However, the authority for fiscal year 1976 is estimated at slightly more than \$2 billion.

The outlay estimates in the bill are in conformity with the congressional budget ceiling recently enacted.

After a series of meetings during late November and early December the conferees finally reached agreement. They agreed to accept:

First, \$2.5 billion for fiscal years 1976 and 1977 for the House version of a construction grant program for State and local public works projects;

Second, five quarters of the Senate version of the countercyclical assistance for States and local governments—estimated cost: \$1.5 billion;

Third, \$125 million increase of the Senate version for fiscal year 1976 for EDA business loan program for antirecessionary assistance;

Fourth, \$100 million in authority to September 30, 1976, for a new urban eco-

conomic development program for cities of 50,000 population or above;

Fifth, \$500 million—Senate version authorized \$1 billion—for extension of title X—job opportunities program to September 30, 1976;

Sixth, \$1.4 billion based on Senate's amendment for grants for the construction of publicly owned wastewater treatment facilities. The allotment of these funds will go to those States which would have received a greater allotment under the Senate-passed amendment. But no State's allotment shall be reduced below the February 1975 allotment. Funds are to be appropriated for the fiscal year ending September 30, 1977.

#### BACKGROUND

Mr. President, this bill is a result of a congressional initiative earlier this year to supplement existing programs such as public service jobs, and the liberalization of unemployment insurance benefits. It was to be a public works job-creating bill with the twofold purpose of providing construction-type jobs and stimulating one of America's most important industries from its near-depression doldrums.

The House first passed a \$5 billion "local public works capital development and investment act." It provided 100-percent grants to State and local public works projects that were "ready to go," but had to be put on the shelf because of the recession.

The Senate Public Works Committee responded with a more modest bill—S. 1587—that authorized for fiscal year 1976 \$2.125 billion for a construction grant program, an extension of both the title X job opportunities program and EDA's business loan program.

Two important amendments were added on the Senate floor to the bill: the countercyclical assistance program and the so-called Talmadge-Nunn amendment that changed the February 1975 allotment formula for grants for the construction of publicly owned wastewater treatment facilities. More than \$1.4 billion would be reallocated under the terms of the latter amendment.

These amendments of course were not contemplated by the Public Works Committee in its deliberations. However, they carried the Senate by substantial margins and were added to the Public Works Employment Act of 1975, which then passed 65 to 28 on July 29.

What is the administration's view of this bill? I do not know. The President has not said flatly that he would veto it, as far as I know. I hope he will reflect on these facts before he decides:

First. Unemployment is today at an alarming 8.3 percent, with the prospect in sight that it will remain above 7 percent for more than 2 years;

Second. Unemployment in the construction industry is at a seasonally adjusted third-quarter rate of 20 percent with the October rate at 17.9 percent.

Third. The construction industry is the major contributor to the national economy accounting for more than 10 percent of the GNP;

Fourth. Construction is labor-inten-

sive—physical construction activities alone employ some 5 to 6 percent of the Nation's labor force.

Fifth. The average ratio of the value of new construction put in place to national income was 12.5 percent during 1968-73, was 11.8 percent in 1974 and has declined this year to 10.5 percent;

Sixth. And, that State and local governments are cutting back on their capital programs involving massive construction outlays because of current and impending revenue shortages—a condition countercyclical assistance will help remedy.

Mr. President, this is basically an anti-recession bill. Its principal goal is to provide new jobs. With unemployment at current high levels and with the expectation that they will remain high for the next couple of years, it is a timely bill.

Let me provide a summary of each program's feature in summary detail.

Title I: Local Public Works Capital Development and Investment Act.

This is the main job-producing program in the bill. It authorizes \$2.5 billion for fiscal years 1976 and 1977. It is to be administered by the Economic Development Administration in the Department of Commerce. Eligible applicants are State and local governments. Seventy percent of the projects are to be selected from areas whose unemployment rates exceed the national average, while 30 percent go to areas whose rates are between the national average and 6.5 percent. The Federal contributions to projects is 100 percent. Priority will be given to projects of which architectural and engineering work has been largely completed and are "ready to go." Eligible projects include the construction, renovation, repair or other improvement of public facilities such as municipal buildings, courthouses, libraries, schools, police and fire stations, detention facilities, water and sewer lines, streets, curbs, roads, sidewalks, and lighting.

Projects are to be processed quickly—within 60 days. Onsite labor must begin within 90 days after project approval.

#### TITLE II COUNTERCYCLICAL ASSISTANCE

This special assistance to cities and States hard hit by the recession recognizes that these governments are presently either reducing their work force, raising taxes, or delaying necessary capital improvement projects. Funds would be distributed on a quarterly basis to those governments which had unemployment of 6 percent or more. The amount will be determined on the basis of a two-factor formula: unemployment and adjusted taxes as a measure of services provided.

Five succeeding calendar quarters—beginning April 1, 1976—are authorized at an estimated \$1.5 billion. For each quarter unemployment exceeds 6 percent, \$125 million is authorized plus an additional \$62.5 million for each one-half percentage point over 6 percent. Annually that would mean \$500 million for exceeding the 6 percent level and an additional \$250 million for each percentage point over 6 percent.

This program will be administered by

the Secretary of the Treasury. One-third of the funds will be distributed to States, two-thirds to local governments.

The assistance provided would go quickly into the economy. By means of the formula, it would be selectively targeted. And it would phase itself out as the economy improves.

#### EDA BUSINESS DEVELOPMENT PROGRAM AMENDMENTS

The Senate bill passed earlier this year contained authority to increase EDA's business loan and guarantee program from its present 1976 authorization of \$75 million to \$200 million, or a \$125 million increase. The conferees have accepted this provision. The bill also provides an interest supplement of up to 4 percentage points on loan guarantees to assist businesses which either need to borrow working capital during a period of exceedingly high interest rates or drastically curtail operations or close down. Either alternative increases unemployment.

#### JOB OPPORTUNITIES PROGRAM—TITLE X

The Senate bill authorized a \$1 billion extension of this job-creating program. The conferees agreed on \$500 million for the current fiscal year including the transition quarter to September 30, 1976.

Senators will recall this program originated in the Senate at the end of the last session. A half billion dollars have been appropriated for the program. Authority expires at the end of 1975. This public works job-creating program emphasizes projects for State and local governments that are generally improvements to existing community facilities.

The conferees believe the program merits extension, that it has demonstrated its potential for creating jobs quickly on worthwhile community projects. Amendments have been included in the bill that would tighten requirements in order to emphasize job effectiveness in the grant selection.

#### THE TALMADGE-NUNN AMENDMENT

Mr. President, with respect to the water pollution control funds authorized by title III of this measure, I believe the conferees have arrived at the best resolution of the issue.

The conferees agreed to the authorization of \$1.4 billion to assure that no State could receive less than it would have received under the Talmadge-Nunn formula. At the same time, the compromise will not disturb the amounts allocated to the other States out of the original \$9 billion authorization.

Mr. President, this is principally a public works jobs bill. It is of course more than that. But the foundation of the bill is public works. There have been criticisms that anti-recession public works programs are too slow, have long lead-times, are often capital rather than labor intensive. And that they are often too late to impact during times of economic downturn.

I think this bill answers those objections. It will only select projects "ready to go". Processing must be done quickly. Onsite employment must take place soon after project approval. And we know that

unemployment is going to remain high for a period of 2 years or more.

It is one of the programs—together with countercyclical assistance, tax cuts, extended unemployment benefits, and public service jobs—this Congress is attempting to get the economy moving again and putting people back to work.

Mr. President, I wish to thank Chairman RANDOLPH for his inspiration and support during the evolution of this legislation. Thanks are due also to Senator McCURE for his interest and assistance to me as chairman of the Subcommittee on Economic Development. Thanks are appropriate as well to the diligent and productive staff of the Committee on Public Works.

Mr. President, I ask unanimous consent that document No. 94-25, which deals with the allotment of grant funds for the construction of publicly owned wastewater treatment works, be printed at this point in the RECORD.

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

INTRODUCTION

The conference report on H.R. 5247 authorizes \$1,417,968,050 for grants for the construction of publicly owned wastewater treatment works. This authorization supplements funds authorized by and allotted to the States under the Federal Water Pollution Control Act. The information and data in this committee print provide the basis for allotment of these funds.

Section I of this print contains data from the May 6, 1975 revision of the 1974 "Needs" survey as reported in the Report to Congress, "Cost Estimates for Construction of Publicly Owned Wastewater Treatment Facilities." Included are tables setting forth the "Needs" data for the States and estimates of 1990 population which can be utilized as a basis for allotments of construction grant funds.

Section II of this print contains a table setting forth the actual allotments to the States of the \$9 billion allotted by the President in February 1975; the allotments which would have been made if the formula in H.R. 5247 as passed by the Senate, generally known as the Talmadge-Nunn formula, had been utilized to allot the \$9 billion; and the differences and percentages of the differences between the two methods for those 37 States which would have received increased allotments under the Talmadge-Nunn formula.

SECTION I

Table I sets forth the "needs" for each State and the percentage of national totals as determined by the most recent EPA assessment of the "needs" for construction of treatment works and interceptor sewers. The percentages of the "needs" for each State are based only on the costs to:

- (a) Provide treatment works to achieve secondary treatment,
- (b) Active treatment "more stringent" than secondary treatment as required by water quality standards, and
- (c) Construct interceptor sewers, force mains and pumping stations.

The data in Table I are from Table EPA-3 in the revised report, "Cost Estimates for Construction of Publicly Owned Wastewater Treatment Facilities" which was transmitted to the Congress by the Environmental Protection Agency on May 6, 1975. Detailed explanations of the development of the reported needs for construction are given in the Environmental Agency Report.

Table II sets forth data reported in Table EPA-4 of the May 6, 1975 EPA report on the Department of Commerce estimate of popu-

lation of the individual States in 1990, as amended by EPA based upon data from the States, and data on the percentage for each State of the total estimated 1990 population of all the States.

TABLE I.—STATE NEEDS AND PERCENTAGE OF NATIONAL COSTS REPORTED FOR CONSTRUCTION OF TREATMENT WORKS AND INTERCEPTORS (CATEGORIES I, II, AND IVB)

(Dollar amounts in millions of 1973 dollars)

State	Needs	Percentage of national totals
<b>Region I:</b>		
Connecticut	478	1.0317
Maine	273	5892
Massachusetts	1,325	2.8500
New Hampshire	384	8238
Rhode Island	187	4036
Vermont	125	2698
<b>Region II:</b>		
New Jersey	2,602	5.6164
New York	4,603	9.9356
Puerto Rico	368	.7943
Virgin Islands	31	.0669
<b>Region III:</b>		
Delaware	199	.4295
Maryland	2,324	5.0163
Virginia	1,129	2.4369
West Virginia	1,320	2.8492
Pennsylvania	1,629	3.5162
District of Columbia	69	.1489
<b>Region IV:</b>		
Alabama	472	1.0188
Florida	1,874	4.0450
Georgia	1,020	2.2016
Kentucky	649	1.4008
Mississippi	359	.7749
North Carolina	1,044	2.2534
South Carolina	728	1.5713
Tennessee	677	1.4613
<b>Region V:</b>		
Illinois	2,343	5.0573
Indiana	837	1.8066
Michigan	1,673	3.6111
Minnesota	707	1.5260
Ohio	2,367	5.1092
Wisconsin	939	2.0268
<b>Region VI:</b>		
Arkansas	582	1.2562
Louisiana	499	1.0770
New Mexico	97	.2093
Texas	2,025	4.3709
Oklahoma	662	1.4289
<b>Region VII:</b>		
Iowa	532	1.1483
Kansas	524	1.1310
Missouri	843	1.8196
Nebraska	227	.4899
<b>Region VIII:</b>		
Colorado	373	.8051
Montana	90	.1942
North Dakota	74	.1597
South Dakota	72	.1554
Utah	218	.4705
Wyoming	55	.1187
<b>Region IX:</b>		
Arizona	266	.5741
California	4,104	8.8585
Hawaii	439	.9475
Nevada	177	.3820
American Samoa	23	.0500
Guam	60	.1295
Trust territories	133	.2870
<b>Region X:</b>		
Alaska	319	.6885
Idaho	216	.4662
Oregon	308	.6648
Washington	675	1.4569
<b>Total</b>	<b>46,328</b>	<b>100.00</b>

TABLE II.—ESTIMATED 1990 POPULATION OF THE STATES AND PERCENTAGE OF NATIONAL TOTALS

(Population in thousands)

State	1990 population	Percentage of total
<b>Region I:</b>		
Connecticut	3,946	1.54
Maine	1,142	.45
Massachusetts	7,052	2.75
New Hampshire	907	.35
Rhode Island	1,134	.44
Vermont	536	.21
<b>Region II:</b>		
New Jersey	8,822	3.44
New York	21,799	8.50
Puerto Rico	3,786	1.48
Virgin Islands	116	.05

State	1990 population	Percentage of total
<b>Region III:</b>		
Delaware	793	.31
Maryland	5,318	2.08
Virginia	5,968	2.33
West Virginia	1,045	.72
Pennsylvania	13,332	5.20
District of Columbia	764	.30
<b>Region IV:</b>		
Alabama	3,850	1.50
Florida	11,728	4.58
Georgia	5,667	2.21
Kentucky	3,741	1.45
Mississippi	2,359	.92
North Carolina	5,880	2.29
South Carolina	3,023	1.18
Tennessee	4,800	1.87
<b>Region V:</b>		
Illinois	13,177	5.13
Indiana	6,433	2.51
Michigan	10,961	4.27
Minnesota	4,577	1.79
Ohio	13,202	5.15
Wisconsin	5,218	2.04
<b>Region VI:</b>		
Arkansas	2,068	.81
Louisiana	4,159	1.62
New Mexico	1,232	.48
Texas	13,666	5.33
Oklahoma	2,942	1.15
<b>Region VII:</b>		
Iowa	3,053	1.23
Kansas	2,509	.98
Missouri	5,488	2.14
Nebraska	1,562	.61
<b>Region VIII:</b>		
Colorado	2,848	1.11
Montana	714	.28
North Dakota	606	.24
South Dakota	643	.25
Utah	1,509	.59
Wyoming	600	.23
<b>Region IX:</b>		
Arizona	3,384	1.32
California	26,601	10.37
Hawaii	1,010	.39
Nevada	933	.36
American Samoa	40	.02
Guam	275	.11
Trust Territories	205	.08
<b>Region X:</b>		
Alaska	408	.16
Idaho	758	.30
Oregon	2,943	1.15
Washington	4,194	1.64
<b>Total</b>	<b>256,216</b>	<b>100.00</b>

Note: The Talmadge-Nunn allotment formula was based  $\frac{1}{4}$  on needs (table I) and  $\frac{3}{4}$  on population (table II). The percentage allotments to all the States which would have been made under Talmadge-Nunn, using  $\frac{1}{4}$  needs and  $\frac{3}{4}$  population, are set forth in table III.

Table III—Percentage allotments to all the States based on 1974 "needs" study—one-half on category I, II, and IVB needs and one-half on 1990 population (Talmadge-Nunn)

State	Percent
<b>Region I:</b>	
Connecticut	1.29
Maine	0.53
Massachusetts	2.88
New Hampshire	0.59
Rhode Island	0.42
Vermont	0.24
<b>Region II:</b>	
New Jersey	4.65
New York	9.31
Puerto Rico	1.15
Virgin Islands	0.06
<b>Region III:</b>	
Delaware	0.37
Maryland	3.39
Pennsylvania	4.44
Virginia	2.39
West Virginia	1.64
District of Columbia	0.23
<b>Region IV:</b>	
Alabama	1.26
Florida	4.31
Georgia	2.20
Kentucky	1.38
Mississippi	0.88
North Carolina	2.29
South Carolina	1.40
Tennessee	1.68

Table III—Percentage allotments to all the States based on 1974 "needs" study—one-half on category I, II, and IVB needs and one-half on 1990 population (Talmadge-Nunn)—Continued

Region V:	
Illinois	5.08
Indiana	3.16
Michigan	3.81
Minnesota	1.63
Ohio	5.03
Wisconsin	2.00
Region VI:	
Arkansas	0.99
Louisiana	1.39
New Mexico	0.36
Oklahoma	1.24
Texas	4.76
Region VII:	
Iowa	1.16
Kansas	1.06
Missouri	2.02
Nebraska	0.57
Region VIII:	
Colorado	0.95

Montana	0.24
North Dakota	0.21
South Dakota	0.21
Utah	0.57
Wyoming	0.18
Region IX:	
Arizona	0.97
California	9.83
Hawaii	0.69
Nevada	0.37
American Samoa	0.03
Tr. Terr. of Pac. Islds	0.20
Guam	0.12
Region X:	
Alaska	0.48
Idaho	0.38
Oregon	0.92
Washington	1.56
Total	100

SECTION II

In February 1975, the President allotted a total of \$9 billion to the States in accordance with formulas prescribed in the Federal Water Pollution Control Act. Column 2

of Table IV sets forth the actual allotment to the States of this \$9 billion. The data in Column 2 were reported in the Federal Register, Vol. 40, No. 40, February 27, 1975.

If the formula based one-half upon population of each State and one-half upon the Categories I, II and IVB needs reported by EPA for that State (the Talmadge-Nunn formula—Table III) had been utilized to allot the \$9 billion the allotments would have been made as set forth in Column 3 of Table IV.

Column 4 of Table IV sets forth the difference in allotments between that which was allotted to each State in February 1975 from the \$9 billion (Column 2) and that which would have been allotted if the Talmadge-Nunn formula had been used (Column 3). The differences are given only for the 37 States which would have received a larger allotment under the Talmadge-Nunn formula.

Column 5 of Table IV sets forth the percentages for each State of the differences given in Column 4.

TABLE IV.—FEBRUARY 1975 ALLOTMENT OF \$9,000,000,000, PROPOSED ALLOTMENT OF \$9,000,000,000 BASED ON TALMADGE-NUNN AND THE DIFFERENCE BETWEEN THE 2 FORMULAS

Column (1)	Allotment (February 1975) of fiscal year 1973-75 funds held in reserve (2)	Proposed allotment based 1/2 on 1974 needs and 1/2 on 1990 population (3)	Difference (4)	Percentage of difference in col. 4 (5)	Column (1)	Allotment (February 1975) of fiscal year 1973-75 funds held in reserve (2)	Proposed allotment based 1/2 on 1974 needs and 1/2 on 1990 population (3)	Difference (4)	Percentage of difference in col. 4 (5)
Total	\$9,000,000,000	\$9,000,000,000	\$1,417,968,050	100.000	Ohio	497,227,400	461,781,000	35,446,400	7.12
Region I	674,701,650	527,724,000	146,977,650	21.78	Wisconsin	145,327,400	182,853,000	37,525,600	25.87
Connecticut	155,091,800	115,740,000	39,351,800	25.37	Region VI	365,858,400	798,111,000	432,252,600	118.15
Maine	78,495,200	46,566,000	31,929,200	40.68	Arkansas	39,822,700	92,853,000	53,030,300	133.18
Massachusetts	295,809,100	252,558,000	43,251,100	14.62	Louisiana	71,712,250	121,509,000	49,796,750	69.43
New Hampshire	77,199,350	53,226,000	23,973,350	31.06	New Mexico	15,054,900	31,059,000	16,004,100	106.34
Rhode Island	45,599,600	38,079,000	7,520,600	16.50	Oklahoma	64,298,700	115,974,000	51,675,300	79.91
Vermont	22,506,600	21,555,000	951,600	4.23	Texas	174,969,850	436,716,000	261,746,150	150.21
Region II	1,799,639,300	1,344,942,000	454,697,300	25.27	Region VII	349,849,800	428,013,000	78,163,200	22.34
New Jersey	660,830,500	407,682,000	253,148,500	38.32	Iowa	100,044,900	105,300,000	5,255,100	5.25
New York	1,046,103,500	829,971,000	216,132,500	20.67	Kansas	53,794,200	94,968,000	41,173,800	76.56
Puerto Rico	84,910,500	102,240,000	17,329,500	20.40	Missouri	157,471,200	178,263,000	20,791,800	13.21
Virgin Islands	7,794,800	5,049,000	2,745,800	35.21	Nebraska	38,539,500	49,482,000	10,942,500	28.40
Region III	1,236,806,000	1,139,832,000	96,974,000	7.80	Region VIII	88,288,650	207,225,000	118,936,350	134.61
Delaware	56,394,900	33,264,000	23,130,900	41.03	Colorado	43,113,300	86,256,000	43,142,700	100.06
Maryland	297,705,300	319,140,000	21,434,700	7.21	Montana	12,378,200	21,276,000	8,897,800	72.28
Pennsylvania	498,984,900	392,382,000	106,602,900	21.36	North Dakota	2,802,000	17,838,000	15,036,000	536.33
Virginia	251,809,000	214,308,000	37,501,000	14.89	South Dakota	5,688,000	18,288,000	12,600,000	
West Virginia	58,419,900	160,614,000	102,194,100	174.79	Utah	21,376,500	47,882,000	26,505,500	123.96
District of Columbia	72,492,000	20,124,000	52,368,000	72.25	Wyoming	2,930,650	15,885,000	12,954,350	441.74
Region IV	936,823,150	1,383,687,000	446,863,850	47.70	Region IX	1,058,163,550	1,075,203,000	17,039,450	1.61
Alabama	43,975,950	113,463,000	69,487,050	158.02	Arizona	18,833,450	85,275,000	66,441,550	352.78
Florida	345,870,100	388,098,000	42,227,900	12.23	California	945,776,800	865,845,000	79,931,800	8.45
Georgia	117,772,800	198,603,000	80,830,200	68.70	Hawaii	51,903,300	60,381,000	8,477,700	16.33
Kentucky	90,430,800	128,745,000	38,314,200	42.36	Nevada	31,839,800	33,579,000	1,739,200	5.46
Mississippi	38,735,200	76,311,000	37,575,800	96.99	American Samoa	738,200	2,213,800	1,475,600	200.00
North Carolina	110,345,000	204,678,000	94,333,000	85.45	Trust Territory of the Pacific Islands	2,672,800	16,515,000	13,842,200	517.77
South Carolina	82,341,900	123,804,000	41,462,100	50.35	Guam	6,399,200	10,656,000	4,256,800	66.53
Tennessee	107,351,400	150,075,000	42,723,600	39.76	Region X	225,968,100	293,265,000	67,296,900	29.78
Region V	2,263,901,400	1,801,998,000	461,903,400	20.41	Alaska	25,250,500	38,151,000	12,900,500	51.11
Illinois	571,698,400	459,009,000	112,689,400	19.71	Idaho	19,219,100	34,290,000	15,070,900	78.28
Indiana	251,631,800	194,283,000	57,348,800	22.78	Oregon	77,582,900	81,603,000	4,020,100	5.18
Michigan	625,991,900	355,014,000	270,977,900	43.28	Washington	103,915,600	139,221,000	35,305,400	34.07
Minnesota	172,024,500	149,058,000	22,966,500	13.35					

Mr. MONTROYA. Mr. President, this conference report is the result of many months of work on the part of the Senate and House Public Works Committees. We have had quite a lengthy conference on the divergent bills passed by the respective Houses. I believe we are presenting in this conference report a good consensus of practical programs to put people to work or to keep their present jobs during the next fiscal year and beyond that.

I do not want to burden the Senate with too much discussion on this matter. I merely want to say that the Republicans on the committee as well as the Democrats have labored hard and there was no real political division. It was an effort to arrive at something that would contribute significantly to putting men

and women who are unemployed back to work.

The Senate added a countercyclical assistance amendment, and we preserved the essence of that program. We were able to retain authority for five quarters, beginning April 1, 1976.

Also in the conference we developed a new concept for urban economic development, authorizing \$50 million for fiscal year 1976 and \$50 million for the transition quarter ending September 30, 1976.

The public works programs in the bill total \$3.225 billion. In addition to this countercyclical assistance is estimated at \$1,500,000,000, for 5 quarters, and the Talmadge-Nunn amendment, which was initially adopted as an amendment to the Senate floor, provides \$1,400,000,000 Federal water pollution control grants.

The ACTING PRESIDENT pro tempore. The Senator's time has expired.

Mr. MONTROYA. Mr. President, I urge the adoption of the conference report.

Mr. RANDOLPH. Mr. President, the conference report before the Senate is the culmination of a legislative process that began early this year. It was undertaken as a response to the recession that had slowed economic growth and brought heavy unemployment in our country. Those conditions continue to exist and the programs contained in this measure are urgently needed now as they were in the early months of 1975.

This measure was carefully developed both in the Senate and in the House of Representatives. Initially, there were some differences of approach as we attempted to solve difficult problems. I be-

lieve, though, that this conference report contains the best features of both the Senate and House bills. It is a balanced, well-reasoned and totally workable attack on the recession. I commend the able Senator from New Mexico (Mr. MONTOYA) for his leadership as chairman of our Subcommittee on Economic Development and as an active participant in the conference. This legislation also reflects the concern and involvement of the other Senate conferees, Senators MUSKIE, BURDICK, RUBINOFF, GLENN, BAKER, BUCKLEY, McCLURE, ROTH, and JAVITS and myself.

Mr. President, this measure recognizes the great value of public works activities as an economic stimulator. A particular asset of public works programs is their ability to stimulate employment far beyond individual projects. Public works benefits entire communities and results in increased business in many diverse areas. Throughout our history, we have turned to public works in times of economic distress. The results have been good and I am confident that the implementation of activities authorized by this legislation will be of great value in restoring health to our national economy. I do not accept—and I do not believe Members of the Senate accept—the belief that the recession will cure itself if left alone. The truth is that our economy is still sluggish. In fact, the Federal Reserve Board has reported that industrial production grew by only 0.2 percent last month, half of the rate in the preceding month and a mere fraction of the 1.8-percent increase in September. Unemployment is 8.3 percent and would be even higher if many people had not become discouraged and removed themselves from the labor force. The overall industrial index is higher than it was early this year, but the erratic performance of most economic indicators seems to reflect our inability to effect a strong and sustained recovery. Unemployment in the construction industry is 17.3 percent, more than twice the national average. This means that 771,000 people are now without jobs in an industry with a normal work force of 4.5 million. The provisions of this legislation would attack one of the most serious aspects of unemployment.

Mr. President, this measure provides great flexibility in placing the authorized funds to work in building public facilities and creating jobs. Such freedom of choice is important if we are to obtain the maximum benefit from this effort. One of the well-documented attractions of public works programs in time of economic distress are the residual benefits that remain after the projects are completed. Throughout this country, citizens are utilizing public facilities that were constructed during the great depression of the 1930's. The permanence and continuing benefit of these projects is to me one of the most realistic features of the approach we have adopted to combat the recession.

Mr. President, this legislation is needed. I believe that the implementation of its provisions would be felt quickly in a stronger economy. I urge its adoption.

The ACTING PRESIDENT pro tempore. The Senator from Idaho.

Mr. McCLURE. Mr. President, I will vote for the conference report on H.R. 5247, the Public Works Employment Act of 1975, but I have reservations about the new urban program added by the House conferees which I will outline shortly.

Other Members have discussed the separate programs included in the conference report, but I want to briefly mention several sections of the legislation.

The conferees agreed to continue the jobs opportunities program through September 30, 1977, with an authorization of \$500 million. The report includes the amendments made by the Senate to the existing program. These amendments were included in S. 1587 and were more fully discussed at that time. Primarily the amendments are intended to clarify and strengthen the original intent of the program.

On November 5, the Economic Development Subcommittee held hearings on the jobs opportunities program—how it is being implemented, what types of activities are being selected, the process and criteria used for selection, and the overall impact of the program.

I am concerned—and I am sure other members of the committee share my concern—about the large number of public service jobs projects selected under the most recent appropriation. The purpose of the program is to maintain or create jobs in the private sector, to provide communities an alternative to public service jobs. During the subcommittee hearings I questioned witnesses from the Department of Commerce and Assistant Secretary Mizell about the large number of public service activities. From information gained in the hearings, I believe the priority given "labor intensive" criteria in selecting projects resulted in the large number of straight public service jobs. The Senate amendments to existing law strike this language and emphasize the intent of the legislation, which is to select the most "job effective" activities.

I believe this change will remove the bias in the act toward public service jobs and will result in the selection of activities reflecting the original idea of the program. I am pleased the conferees have agreed to a second round of the program, allowing an opportunity to determine the effectiveness and efficiency of this approach in stimulating jobs.

Concern has also been expressed that funds under the jobs opportunities program are being used to substitute for, rather than supplement, an agency's ongoing activities. I consider this a misuse of the funds, and where this has occurred I would urge the Administrator to have the job opportunity funds returned and reused properly. A new section was added to the act by the conference to make clear that funds authorized for this program are to be in addition to funds already budgeted by another agency, and in addition to any future appropriations available to an agency.

The conferees agreed to include a version of the interest subsidy program au-

thorized in the Senate bill. As agreed to, the Secretary of Commerce is authorized to make interest subsidy payments on loans guaranteed by EDA. The conferees removed the limitation to working capital loans contained in the Senate bill but limited the section to calendar year 1976, as this is a temporary, antirecessionary program to be tried during this period when high interest rates put borrowing beyond the capacity of many businesses. The committee will have an opportunity to review the value of this approach as an antirecessionary measure during hearings next year.

The \$2.5 billion local public works program adopted by the conferees is basically the language of the House bill. The conferees made changes in the architectural and engineering grant section to clarify the intent that these grants are to be used for projects which will result very quickly in work on the job site. The provision is not to be used for stretching the time frame on projects. The stated purpose of the local public works bill is to move projects that are ready to go—to create jobs quickly. The change in the architectural, engineering, and related planning section is to bring these grants into conformity with the intent of the legislation.

I would like to mention my reservation about the urban development amendment offered by the House conferees. The amendment was not included in either the House or Senate versions of the bill and, as new matter contained in neither bill, was outside the scope of the conference and, in my opinion, may be subject to a point of order.

The provision creates a new, special class of eligible areas under the regular long-term development programs of the Public Works and Economic Development Act. Under the new section, any urban area with a population of 50,000 or more is considered eligible to receive aid under the regular programs of the Economic Development Administration. These areas will not be required to meet any of the criteria in the act used to measure distress—such as severe unemployment, low incomes, or abrupt disruptions in the local economy. These criteria, however, must continue to be applied to all other areas before they can be considered eligible for EDA assistance.

The amendment also authorizes expanded, special authorities for these new urban areas, which are not included in the present law, and which have not been thoroughly considered.

A change of this magnitude in the purpose and policies of an ongoing program deserves more consideration and discussion than can be given by a conference committee. Substantive changes which have the potential of redirecting programs should be thoroughly scrutinized in the committees and by the Congress.

The effect of the House manager's amendment is more than to simply make it easier to designate urban areas in need of assistance. In fact, over 180 communities included by the new section are already eligible, in whole or in part, un-

der the criteria presently in the law. The House language makes healthy, prosperous communities as eligible as areas of poverty and chronic unemployment. There is no criteria for eligibility other than population. There is no criteria or directive given the Secretary in selecting areas for assistance. All a community must do is file a plan to be approved by the Secretary. The planning requirement does not establish any criteria. The House conferees strongly opposed, and would not permit, any changes to bring the provision into conformity with existing law.

The amendment had not been considered by the Economic Development Subcommittee or the full House Committee on Public Works and Transportation before it was offered during the conference. Neither has this amendment, or any similar language, been the subject of hearings or consideration by the Senate Public Works Committee.

Legislation extending the regular Public Works and Economic Development Act is pending before the Economic Development Subcommittee, on which I serve as ranking Republican member. The subcommittee could have considered this amendment when it takes up the extension legislation early next year. I do not believe there was such urgency as to require the approach taken by the House.

In conference, we were able to limit the program to fiscal year 1976 and the transition quarter so the two authorizing committees will have an opportunity to review and rewrite this section next year.

Mr. President, I shall briefly refer to two points: One is that yesterday there was some discussion about the possibility that a point of order might be raised against the conference report for including a matter which was not in either the Senate or House-passed measure and, therefore, improperly included, in my judgment, in this conference report.

I am not going to make that point of order. I make that announcement only so that any other Member of the Senate who may have been relying upon the conversation yesterday, who desired to do so in their own right, might have that notification.

Second, for the record I want to state very clearly how much is involved in this conference report. There is \$2.5 billion in it for the local public works projects. There is \$125 million for the EDA loan programs; \$500 million under the job opportunities program, title X of the Public Works and Economic Development Act; \$100 million in the new and somewhat questionable urban economic development section that was added in the conference.

The ACTING PRESIDENT pro tempore: The Senator's time has expired.

Mr. ROBERT C. BYRD, Mr. President, I ask unanimous consent that the Senator may proceed for 2 minutes. He said he would not make a point of order. I think it would save the Senate's time.

The ACTING PRESIDENT pro tempore: Without objection, it is so ordered. The Senator from Idaho is further recognized.

Mr. McCLURE. I thank the Senator for that courtesy.

There is, in addition, \$1.4 billion involved in the application of the Talmadge-Nunn amendment to the waste water treatment construction grant program and \$375 million in first quarter obligations under countercyclical revenue sharing.

In addition to that, it was decided that this countercyclical revenue sharing program should be extended for five quarters. So there will be four additional quarters, and the projections for these quarters would indicate a total of \$1,125,000,000. This amount could vary, depending on the national unemployment rate.

When we add up all of these items, this is a bill in agreement in conference totaling \$6,125,000,000. I state that only so that everyone can recognize that it is not the \$3 billion-plus or the \$4½ billion that some people are talking about. It actually totals \$6,125,000,000.

Mr. President, I thank the Senator from West Virginia for his courtesy. I thank the chairman of the full committee, Mr. RANDOLPH, and the ranking Republican member, Mr. BAKER, for the courtesies and help extended to us.

We have a very difficult conference report. I think the Senate has not yet seen the last of the questions that may be raised as a result of the injection of the new materials that were not properly before the conference.

Mr. President, I urge my colleagues to vote in favor of the conference report.

Mr. MUSKIE, Mr. President, I would like to express my strong support for the conference report on H.R. 5247.

This legislation is a major congressional response to our No. 1 national problem—unemployment. It is aimed at putting people back to work, both in the public and private sectors.

Most importantly, it will do this at a cost within the limits set by this Congress under the new budget process. The second concurrent resolution provided for \$3.9 billion in budget authority and \$1 billion in outlays for fiscal year 1976 for this legislative package. The legislation itself is well within those limits, providing for \$3.5 billion in authorization and about \$650 million in outlays for fiscal year 1976.

Although I support this entire package, I am, of course, particularly interested in title II, the countercyclical assistance program, which I first proposed with Senators HUMPHREY and BROCK last winter, and which passed the Senate on July 29 as an amendment to the Senate public works bill.

As reported by the conference, the title II program is virtually identical to the original version of the bill, except that the authorization period was reduced by the conferees from 12 calendar quarters to 5.

I am extremely pleased that the conferees were able to agree on retaining the countercyclical program, because I believe the need for it becomes clearer all the time.

We are now in our 12th month of national unemployment in excess of 8 per-

cent. If the impact of recession on State and local governments was not as clearly felt last spring, it is definitely beginning to be felt now.

Over the last several weeks, our attention has been focused on the fiscal crisis in New York City. But, as a recent editorial in the Portland Press Herald notes, the disease has spread far beyond New York. Even the State of Maine, traditionally a fiscally conservative place, is now facing a possible budget deficit caused by sluggish tax revenues.

A recent article in the New York Times, December 2, 1975, pointed to the dramatic slowdown in State and local spending, a factor which could very well retard recovery from the recession.

All across our country State and local governments are taking budget-related actions that exacerbate the recession and reduce the impact of Federal Government efforts to stimulate economic recovery.

They are laying off their employees when our objective is to put people back to work.

They are raising their taxes when we are cutting Federal taxes to stimulate recovery in the private sector.

And they are delaying or canceling capital projects when the construction industry remains among the most depressed in our economy.

Just last night, for example, Mayor Ken Gibson, of Newark, announced the layoff of 582 workers in his city, including 129 policemen and firemen.

The State of Connecticut, to cite another example, has increased taxes nearly \$200 million this year to balance its budget—and it still sent out layoff notices to employees earlier this month.

And in Massachusetts, New Jersey, Georgia, and Florida, to name just a few, capital projects have either been delayed or terminated.

Mr. President, this legislation, and the countercyclical assistance provision, in particular, is aimed at preventing counterproductive State and local budget actions like those I have described.

So I hope that we can move quickly today to approve this measure, and that the House will follow suit shortly. Countercyclical assistance to State and local governments is an idea which meets virtually every criterion of a sound anti-recession policy. It will get money out into the economy quickly, help most those places which have been hardest hit by the recession, and turn itself off when the recession has subsided.

Most importantly, I emphasize that countercyclical assistance will strengthen the hand of the Federal Government in dealing with the recession.

The combination of public works and countercyclical aid to State and local governments is a unique one. But I think the two approaches are logical complements to one another. Complete recovery from the recession promises to be slow, with high unemployment lingering well into the second half of the decade. A solid anti-recession program, therefore, should be one with both immediate and long-range impact, aimed at both the

private and public sectors of the economy. H.R. 8347 is just such a proposal.

Mr. President, I should like to point out that we did not come easily to this point in our consideration of this anti-recession legislation. It is now nearly 5 months since we passed this legislation in the Senate. It was difficult to preserve the comprehensive public works—construction assistance thrust of the Senate-passed bill and to work out a reasonable compromise on the Talmadge-Nunn amendment to the Water Pollution Control Act.

But we have overcome those hurdles, and the conference report before us deserves the overwhelming support of the Senate.

I ask unanimous consent that the article from the December 2, 1975, New York Times, and the editorial from the December 8, 1975, Portland Press Herald be printed in the RECORD at this point.

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

(From the New York Times, Dec. 2, 1975)

**CITIES AND STATES SLOWING SPENDING—BLAME SEEN TO RECOVERY—NEW YORK'S CRISIS CITED AS INTENSIFYING LAG**

(By Some Golden)

Spending by state and local governments has been a steady and powerful generator of jobs and incomes in the United States for most of the period since World War II.

But for a variety of political, financial and demographic reasons, this spending has begun to slow—with potentially adverse effects on the expected economic recovery. This slowdown, which experts say could last several years, has apparently been intensified by New York City's financial crisis.

With state and local spending accounting for 15 percent of gross national product, slower growth in this \$230 billion sector could lead to slower growth in the economy as a whole. Instead of the 5 to 6 percent yearly increase in such spending, analysts expect real growth for 1976, and probably for the rest of the decade, to be closer to 2 or 3 percent a year.

"The state and local sector is just too big to ignore," said Otto Eckstein of Data Resources, Inc., an economics research company. "Any major change in the expenditure trends of this enormous sector will have an economy-wide impact." He noted that, in contrast, Federal spending accounts for only 9 percent of G.N.P.

"The question now is whether the growth of the state and local sector will stop altogether under the impact of New York City's problems," he added.

**FEW PROJECTS PLANNED**

Indeed, a check of two dozen state and local governments around the country found virtually none contemplating a major initiative in budgetary outlays for the years immediately ahead. Instead, officials seem hard-pressed even to follow through on existing spending plans as the recession's aftermath continues to sap their revenues and inflation continues to raise their costs.

Although most local and state officials publicly deny that New York City's problems have changed their budgetary practices, various outside economists think otherwise. A key Administration economist points to what he calls "a consciousness-raising" effect from New York City's disastrous reliance on heavy deficit financing.

In Illinois, for example, Gov. Daniel Walker has slashed his record \$10.8 billion state budget by 6 percent through vetoes. If he is overridden by his legislature, the Governor

has promised to raise taxes—rather than borrow—to cover the deficit.

**CITY'S PATH CHIEF**

Borrowing, says Governor Walker, "is the road that New York City went, and I will not take Illinois down the New York City road."

New York City, of course, is also trying to reduce spending. Markets slammed shut to the city last spring and New York has gone through a series of desperate financial gymnastics to pay its bills and trim its sails.

Despite the Administration's decision last week to offer the city seasonal loans for the next three years, New York has cut \$300 million from its budget this year, which puts the budget at about \$12 billion. Some \$200 million of cuts must still be found to meet stringencies imposed on Mayor Beame by the Emergency Financial Control Board.

Another \$800 million of potential city spending has been eliminated by a drastic slash in the capital budget, used primarily to finance construction programs and financed by long-term borrowing.

The state legislature, meanwhile, is locked in a partisan debate about how big the state's deficit is and what taxes are necessary to close the gap. A modest \$70 million or so has been cut from the state budget this year. The deficit however, is probably in the vicinity of \$700 million.

**IMPACT IS UNCERTAIN**

How state and local cutbacks will affect the national economy is something about which economists disagree.

Arthur M. Okun, a former Democratic chairman of the President's Council of Economic Advisers, says the new restraint in lower-level governments "does not mark the difference between recovery and recession." But "it's a relatively negative factor in the outlook now compared with two months ago," he said.

Mr. Okun, who is now with the Brookings Institution, a nonprofit research center, has cut a half a percentage point off his earlier forecast of 6 to 7 percent real output growth for next year to compensate for the new fiscal scrutiny under way in state capitals and city halls.

But one top Administration analyst, Rudolph G. Fenner, senior economist at the Office of Management and Budget, disagrees, calling the Okun estimate "an exaggeration." He concedes, however, that in the short run the new restraint by lower-level governments could moderate the recovery.

Payrolls at state capitals and city halls now account for about 14 percent of the nation's total employment. The sector's jobs have grown faster in recent years than total United States employment and five times faster than Federal employment.

But the experience of past years—with spending propelled by the growth of Federal grants programs, the rise in welfare rolls, the Federal highway program, the increase in salaries of public employees, Federal revenue sharing may not be repeated.

Changes are already under way, according to a recent survey of 48 states and 140 local governments by the Joint Economic Committee of Congress, at least \$8 billion has been drained out of the sector's spending stream during 1975 by emergency budget actions at the state and local level.

One result of these moves, the study says, is the elimination of about 140,000 government jobs—the equivalent of a little over a tenth of a percentage point in the unemployment rate.

The \$8 billion of changes turned up by the survey came in three forms of governmental action: \$3.6 billion of tax increases, \$3.3 billion of cuts in current outlays and a \$1 billion in postponed capital construction projects.

It is considered ironic by any observers that at a time when the Federal Government

has cut taxes once and contemplates cutting them again to stimulate the economy, state and local governments are heading in the opposite direction, taking stimulus out of the system in an effort to achieve fiscal respectability.

**STATUTES CURB DEFICITS**

The reason, in part, is that states, cities and counties—unlike the Federal Government—are generally bound by statutes to run their affairs without running deficits. Borrowing money is allowed, but, in general, only to finance capital expenditures or to tide the government over a cash-flow problem until revenues from another source come in.

Although borrowing money is one way to bridge a budget gap, New York City's difficulties this year in repaying its creditors has soured the municipal market for many government borrowers. Although total borrowing this year is expected to be near record highs of \$251 billion, raising interest rates have frightened voters into rejecting new bond issues for additional capital spending.

This has forced many governments to pursue the tough political course of raising taxes or cutting outlays to make ends meet.

As a result, states and localities are spending money at roughly a record-breaking \$10 billion annual rate of deficit. Without the \$8 billion of spending cuts and tax increases reported to the Joint Economic Committee, the deficit would amount to \$18 billion.

This marks a dramatic turnaround from the \$4 billion surpluses that the sector ran in the prerecession year of 1972. The result was an \$8 billion deficit during 1974, a year of deep recession and rampant inflation.

These official deficit figures, from the Federal Government's National Income Accounts, omit an additional \$24 billion of long-term debt issued this year, a near record amount.

**STRINGENT BUDGET POLICIES**

The states and cities reporting the most stringent budgetary actions are those with the weakest local economic conditions and the highest unemployment rates.

The Joint Committee found a "significant mismatch" between resources and needs when it analyzed the fiscal conditions of three groups of states—those that produce energy, the farm states, and those with high unemployment.

The 13 energy producers, according to the report, are in "a very strong financial position" on average. These are Alabama, Arkansas, Oklahoma, Texas, Louisiana, West Virginia, Ohio, Utah, Indiana, New Mexico, Montana, Wyoming and Tennessee. Overall, these states pursued very moderate spending cuts or tax increases this year.

The 18 states with relatively high unemployment were Oregon, Washington, Delaware, Pennsylvania, Florida, Georgia, North and South Carolina, Connecticut, Maine, Massachusetts, Rhode Island, Vermont, New Jersey, New York, Michigan, California, and Nevada.

Another relatively prosperous group of states discovered by the Congressional study are eight heavily agricultural states, namely Iowa, Minnesota, North Dakota, South Dakota, Wisconsin, Kansas, Nebraska and Idaho. They also were able to avoid major moves toward budgetary restraint during 1975.

"In 1973 and 1974 we had a net transfer of wealth in the United States to the energy or farm producer states," said Ralph Schlosstein, an economist with the Joint Economic Committee, who directed the group's study.

However, a recent drop in farm prices and farm income, Mr. Schlosstein said, could put the farm states into the same difficult predicament as the 18 states in the study with jobless rates at or above the national average.



As a group, these states have "severe financial problems." They have been hit by the recession on both sides of their budgets—expenditures up for unemployment compensation and welfare, while revenues have been reduced. And they have little surplus left to live off this year, the study said.

The result has been a necessity on the part of officials in these areas to cut spending or raise taxes of citizens who can ill afford it.

"Restraints are being put on hardest in just those regions and states with the worst economies," Mr. Schlosstein said.

Officials in these areas hardest hit by unemployment seem to agree. In Detroit and Newark, they endorsed the effort in Congress to adopt counter-cyclical revenue sharing on top of the existing non-cyclical program that pumps out about \$6 billion a year for state and local governments.

Although the immediate economic strain in the United States has obviously taken its toll on state and local spending, analysts insist that more than the business cycle is at work to cut back growth of the sector.

A major dampening force, they say, began in the late 1960's when the nation's school-age population dropped, lifting the pressure on lower-level governments to spend money on education outlays.

An even more powerful potential force in dampening the growth of state and local spending may be what a Congressional budget expert called "the fundamental fed-upness of this country with public spending." He, like many others, attributed popularity of Edmund G. Brown Jr., Governor of California to this anti-government spirit.

Governor Brown is struggling now to hold California spending increases to as most, the inflation rate by forcing what he calls "very tough choices" on the legislature choices between salary increases and education at outlays, between colleges and child care, between health and conservation.

#### TAX DEMAND SEEN

"I know there will be a strong demand for new beer and liquor taxes and an increase in the gasoline tax," Governor Brown says. "But I certainly will work to avoid them as I did in the last year. I have a rather jaundiced view of any new taxes."

A similar sentiment was expressed by the Governor of Texas, Dolph Briscoe. Though he is feeling little financial pressure these days because of his state's energy tax revenues, he is already worrying about balancing the budget in fiscal 1978—two years away. To avoid a tax increase then, he has pledged to trim the budget.

A similar attitude prevails in the state house in Massachusetts, where Gov. Michael S. Dukakis has just acceded reluctantly to a \$364 million tax package to support his minimal budget of \$3 billion.

[From the Portland Press Herald, Dec. 8, 1975]

#### BUDGET CRISES

The nation has become so preoccupied with New York City's desperate financial situation that it tends to overlook painful symptoms of the same illness elsewhere in the country.

Budget crises may not be of epidemic proportions but they are so common as to indicate a widespread fiscal problem.

Right here in Maine it's almost impossible to know what the financial situation is. Governor Longley's office talks of costs reduced, money saved and the prospect of a legislative session without a tax increase.

But members of the Appropriations and Financial Affairs Committee warn that only swift action can avoid a financial crisis in the state's affairs. They say they have found no substantial savings, that a school deficit could go as high as \$9 million and that the state income will fall short \$2-\$3 million. There are mutterings of a strike by state em-

ployes unless wages are adjusted and the University of Maine is taking drastic action to meet its money problem.

In the preoccupation with New York City, it was hardly noticed that one of that city's smaller municipal neighbors, Yonkers, was rescued from default. Governor Carey and the state legislature provided \$25 million in emergency aid in return for which Yonkers surrendered its fiscal responsibility to an Emergency Financial Control Board.

The Commonwealth of Massachusetts is in shaky financial condition. Bay State officials have overestimated revenues, including federal aid that never materialized, while underestimating expenses, particularly welfare. At the same time, costly new social programs were introduced.

The nation's Capital is in trouble too. The District of Columbia faces a \$45.5 million budget deficit this year and it has \$1 billion in unfunded pension obligations. As in New York City, the ratio of municipal workers to city residents is unusually high.

New York City's condition is acute. But it is an illness to which a great many cities and states are susceptible and Maine is not without its symptoms.

Mr. HUMPHREY. I support the Local Government Public Works, Capital Development and Investment Act of 1975, H.R. 5247. I support this bill because it is an integral component of any realistic economic recovery program. It will create jobs both in the public and private sectors, it will reinvigorate the construction industry, and it will assure the continual provision of essential public services.

While every section of this bill will make a meaningful contribution to the strength of economic recovery, I would like to speak specifically about the title of this bill which provides emergency antirecession grants to State and local governments. This idea, I am proud to say, was first offered to Congress by the Joint Economic Committee, which I chair. In its 1971 "Mid-Year Review of the Economy" the Joint Economic Committee recommended:

The Federal Government should adopt a system of grant payments to compensate state and local governments for the shortfall in their own tax revenues caused by high unemployment.

A similar recommendation was reiterated in the committee's December report "Achieving Price Stability Through Economic Growth" and later in the "1975 Joint Economic Committee Report." The countercyclical aid proposal that I sponsored with my distinguished colleagues from Maine (Mr. MUSKIE) and Tennessee (Mr. BROCK) in April, and which is now incorporated in this legislation, contains many of the same provisions that the Joint Economic Committee has consistently recommended since 1971.

As Members of the Senate are aware, State and local governments have been victimized by an unprecedented budget squeeze. Last year, runaway inflation and soaring energy prices played havoc with the costs of providing essential State and local government services. This year, recession has administered the second blow of the economic double whammy—seriously reducing the revenues received by State and local governments and causing expenditures for unemployment-related services to soar.

Back in May the joint economic com-

mittee surveyed 48 States and 140 local governments and found that they were undertaking unprecedented tax increases, expenditure cutbacks and employee layoffs in order to keep their budgets in balance. States, counties and cities were raising taxes by \$3.6 billion, cutting current service expenditures by \$3.3 billion and canceling \$1 billion worth of capital construction. A total of 140,000 employees were going to be laid off or not replaced due to the recession. These facts and figures were a compelling argument for this bill back in April.

But this situation has deteriorated even further since the joint economic committee did its survey in May. Many States and localities have discovered that the draconian measures that they have already undertaken have not been enough. In May, New York State anticipated a \$560 million deficit; today, it is \$700 million. In May, Michigan felt that \$95 million of expenditure cuts were necessary; today, they are struggling to cut \$300 million out of the budget. Georgia was not going to make any cuts; now that State is eliminating \$22 million in expenditures. Even the lower-unemployment-rate States have suffered. California's anticipated balance at the end of the year has fallen from \$350 million to \$160 million; Illinois from \$308 million to zero.

Many cities and counties have also suffered from a further deterioration in their budgets. Oklahoma City expected a \$70 million surplus at the end of the year; now they will have nothing. Westchester County, N.Y., expected to maintain expenditures at current levels; they since have cut \$25 million. Montgomery, Ala., expected no cuts would be necessary, but they have cut expenditures \$8 million and they still have an \$8 million deficit. Portland, Oreg., thought they could make it through the fiscal year without increasing taxes; taxes just went up \$2 million.

These are not isolated incidents, they are part of a pervasive trend. The recession has devastated all budgets; States and localities; large cities and small cities; counties and townships; even a few wealthier States. No one can deny that the need is there.

But this bill will do more than allow States and local governments to maintain essential services without raising taxes during the recession. It will prevent States and localities from taking budget actions that directly contradict our national economic policies. As it is now, the Federal Government cuts taxes and States and localities raise taxes. The Federal Government hires public service employees and State and local governments lay them off just as fast. Government is giving with one hand and taking away with the other. Our economic recovery is just too fragile to survive this absurdity and inconsistency. Any economic policy in which the Government giveth and the Government taketh away is doomed to failure.

Moreover, this bill has the additional advantage of not being the least bit inflationary. The program turns off completely when the national unemployment rate declines to 6 percent, long before we reach full utilization of resources and

the concomitant upward pressure on prices. In addition, the program does not waste scarce resources, because the assistance is targeted to only those communities with unemployment rates in excess of 5 percent. Not one dime will be spent after the need for the program has been eliminated and not one dime will be spent in a State, county, or city that has no need.

Mr. President, the need for this program is enormous. Every day more and more States and localities are confronting massive budget problems—all a result of Federal mismanagement of the economy. It is time that the Federal Government take responsibility for the problems that it has created. I urge all of my colleagues to join Senator MUSKIE, Senator BACCH, and myself in supporting this landmark piece of legislation.

Mr. McCLORE. I yield back the remainder of my time.

The ACTING PRESIDENT pro tempore. The question is on agreeing to the conference report.

The conference report was agreed to.

Mr. RANDOLPH. Mr. President, I move that the vote by which the conference report was agreed to be reconsidered.

Mr. BAKER. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

#### TIME LIMITATION AGREEMENT— CONFERENCE REPORT H.R. 5559

Mr. ROBERT C. BYRD. Mr. President, I ask that the time on the next conference report be limited to not to exceed 20 minutes, to be equally divided between Mr. Lowe and Mr. CURTIS.

The ACTING PRESIDENT pro tempore. Is there objection? Without objection, it is so ordered.

#### PRIVILEGE OF THE FLOOR—H.R. 5559

Mr. CURTIS. Mr. President, I ask unanimous consent that Mr. Don Morehead be granted the privilege of the floor during the consideration of the next conference report.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

#### AMENDMENT OF THE INTERNAL REVENUE CODE—CONFERENCE REPORT

Mr. LONG. Mr. President, I submit a report of the committee of conference on H.R. 5559, and ask for its immediate consideration.

The ACTING PRESIDENT pro tempore. The report will be stated by title. The assistant legislative clerk read as follows:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 5559) to amend section C33(a) of the Internal Revenue Code to provide for exclusion of income from the temporary rental of railroad rolling stock by foreign corporations, having met, after full and free conference, have agreed to recommend and do recom-

mend to their respective Houses this report, signed by a majority of the conferees.

The ACTING PRESIDENT pro tempore. Is there objection to the consideration of the conference report?

There being no objection, the Senate proceeded to consider the report.

(The conference report is printed in the House proceedings of the CONGRESSIONAL RECORD of December 16, 1975, at page H1265.)

The ACTING PRESIDENT pro tempore. The Senator from Louisiana.

Mr. LONG. Mr. President, the press of this Nation has accurately and well reported to the people the nature of the compromise reported in the conference report on H.R. 5559. From the point of view of the Senate, it was a very successful conference. We regret that we were unable to persuade the House of Representatives to agree to the amendment on the housing credit, but the practical realities of the situation made it such that that amendment could not be agreed to.

With that exception, with a small modification, the House accepted the Senate amendment.

So we bring H.R. 5559 back from conference in much the same form as agreed to by the Senate.

It is a 6-month extension of the tax reduction and involves a revenue reduction in the fiscal year 1976 of \$6.1 billion, which means that it is within the limits set by the second budget resolution.

It also provides an earned income credit or work bonus of the type included in the Senate bill for those with incomes of \$4,000 or less, with a phaseout of the earned income credit for those with incomes between \$4,000 and \$8,000. This provision is the same as that agreed to by the Senate except that we agreed to a House request for a "disregard" provision. This means that for those already on welfare or some other Federal aid program the month before the earned income credit is paid, the earned income credit refund will be disregarded in determining whether their welfare or other payment should be reduced. For someone newly applying for welfare, however, receipts representing a refund of taxes obtained through the earned income credit would be taken into account in determining eligibility. This gets rid of the administrative problem that I have heard complaints about and also gives assurance that if somebody is on welfare and takes a job, the receipt of the earned income credit will not decrease their welfare payments. At the same time, by doing it this way we provide an incentive to work for those receiving welfare payments.

In the area of the per capita tax credit and the standard deduction, the House and the Senate conferees compromised out their differences. In the case of the standard deduction, we took a minimum and also a maximum deduction, which was as nearly as possible halfway in between the standard deduction allowances of the House and of the Senate. In the case of the tax credit also, we took a tax credit of \$35 rather than the \$30 of the House bill or \$45

of the Senate bill but also provided that the tax credit can be higher than this in some situations. The tax credit provided for in the conference is to be 2 percent of the first \$9,000 of taxable income but never less than \$35 for the taxpayer, his spouse, plus any dependents that he may have.

The housing credit, which was added to the bill on the Senate floor, was not agreed to by the House conferees. While I personally favor extension of the housing credit, there was a general desire on the part of the conferees not to include in the bill any controversial provisions. As a result, this was omitted from this bill but undoubtedly will be considered subsequently on the floor of the Senate.

The revenue loss from the corporate tax reductions is estimated at \$1.9 billion for a full year. The half-year extension will reduce revenues by \$1.0 billion, with a reduction in fiscal year 1976 receipts of \$585 million.

The total income tax reductions will reduce revenues at an annual rate of \$16.8 billion. Because the extension is for 6 months, the reduction in revenues will be \$8.4 billion. For fiscal year 1976, the revenue loss is \$6.13 billion. The difference between the half-year and fiscal year revenue losses is due to the lag in collections of 6 to 8 weeks. The fiscal year revenue loss is slightly less than the amount allowed for in the second concurrent budget resolution, but it is approximately the same amount.

The individual income tax reduction is distributed primarily among the lower range of income taxpayers, and 63.9 percent of the reduction is received by taxpayers with adjusted gross incomes below \$15,000. As a result, the reductions will go to those people who are most in need of tax relief and are most likely to spend it and stimulate the economic recovery.

I urge the Senators to enact this 6-month tax reduction as soon as possible. It is important to prevent an increase in taxes on New Year's day. The 6-month extension also is consistent with the President's desire to reduce both taxes and Government spending in fiscal year 1977. This brief extension of the tax reductions will make it possible for Congress to review the budget for fiscal year 1977 before June 30, 1976, and decide how it wants to adjust both spending and taxes.

Mr. President, I am ready to respond to any questions Senators may wish to ask about it.

Mr. CURTIS. Mr. President, we now have before us the conference report on H.R. 5559. This legislation provides for a reciprocal tax exemption for the rental of railroad rolling stock, but its principal purpose is to extend certain of the expiring provisions of the Tax Reduction Act of 1975.

The House and Senate bills dealing with this subject contain different provisions both with respect to the duration of the tax cut extension and the types of substantive provisions that would be utilized to effectuate this extension.

With respect to the duration of the extension, the Senate bill provided for



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

JAN 23 1976

FYI  
DL

ACTION:

MEMORANDUM FOR:

THE PRESIDENT

FROM:

JAMES T. LYNN

SUBJECT:

Local Public Works Capital  
Development and Investment  
Act of 1975 (H.R. 5247)

The purpose of this memorandum is to obtain your decision on whether we should advise the Congress that you will veto H.R. 5247, the Local Public Works Capital Development and Investment Act.

Status

On December 8, the Conference Committee completed action on this bill. The House previously had passed an accelerated public works bill which authorized \$5 billion for a grant program to be administered by the Department of Commerce (EDA). The Senate had passed a substantially different bill totalling over \$6 billion, which included authorization for extending EDA's Job Opportunities program, additional authorizations for EDA's other programs, authorizations for a "counter-cyclical revenue sharing" program, and a change in the allocation formula for EPA waste treatment grants.

The Senate passed the Conference Bill on December 17, by voice vote. The House delayed taking final action last session, but is expected to pass it quickly upon its return. The House expects a veto, and did not want to send a bill down that might be pocket vetoed.

Summary of Bill

The bill includes three titles.

Title I is essentially the original House bill for accelerated public works, with the authorization level cut in half to \$2.5 billion. It authorizes a new program in Commerce to permit it to make grants to any State or local government for 100% of the cost of any public works project. At least 70% of the funds are to go to areas having unemployment rates in excess of the national average.



The Administration opposed this title when it was being considered by the House. If funds were appropriated, outlays from the program would increase the 1977 deficit by an estimated \$1 billion and the 1978 deficit by about \$1.2 billion. It would have its peak impact in late 1977 or early 1978, when it may be stimulating inflation.

Title II is to authorize and direct the Secretary of the Treasury to make revenue sharing payments to state and local governments, when the national rate of unemployment exceeded 6% during the 5-quarter period beginning April 1, 1976. It would authorize an appropriation of \$125 million per quarter at the 6% unemployment level plus \$62.5 million per quarter for each half percentage point by which unemployment exceeds 6%. For example, if the national rate of unemployment remained at 8% for a full year, an appropriation of \$1.5 billion would be authorized for that year. One-third of the funds would be reserved for States and two-thirds for local governments, and the funds would be allocated on the basis of the local unemployment rates and taxes raised.

The Administration has opposed this type of aid as proposed in S. 1359 (Muskie, Humphrey, and Brock), a bill almost identical to this title. It would increase the 1977 deficit by about \$1,125 million, if the national rate of unemployment were at 8%. We have argued that extension of unemployment compensation and tax reductions are more effective means of achieving economic recovery.

Title III picks up several parts of the original Senate bill, including an authorization for an additional \$1.4 billion for EPA's wastewater treatment grants program; an extension and modification of the Job Opportunities program; an authorization for EDA to provide interest subsidies to businesses receiving commercial loans; and an amendment to the EDA Act to, in effect, make EDA an urban renewal agency. The total amount authorized is over \$2 billion.

The Administration has consistently opposed the Job Opportunities bill as being a costly means of creating temporary jobs as well as being administratively unwieldy. The changes would not improve the program and would likely increase the pork barrel nature of the allocations. The Administration also has opposed increases for the EPA wastewater treatment program.

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 amendment to make cities over 50,000 eligible for EDA assistance could get EDA into a major new and costly urban development role. It would be a step in reestablishing categorical grant programs for urban development.

The Bill in total authorizes funding of over \$6 billion. Outlays in 1977 could be over \$3 billion if the funds were appropriated. It is unlikely that Congress would appropriate the full amounts authorized, but enactment of this bill would almost certainly result in a substantial increase in appropriations.

Recommendation

The Economic Policy Board has reviewed this bill and recommends that we advise the Congress that you will veto the bill, because of its impact on increasing the Federal deficit and because the programs are ineffective or unnecessary means of stimulating the economy.

Decision

\_\_\_\_\_ Agree

\_\_\_\_\_ Disagree

THE WHITE HOUSE  
WASHINGTON

Date: 1/24/76

TO: ~~VERN/BILL~~

FROM: Max L. Friedersdorf BILL

For Your Information \_\_\_\_\_

Please Handle \_\_\_\_\_

Please See Me \_\_\_\_\_

Comments, Please X \_\_\_\_\_

Other Exceeds scope of conference,  
so they will try for rule  
waiving points of order on Wed.  
Scheduled for the floor Thurs.  
12

No Comment  
WK

Note:  
I have a  
copy of this  
TR.  
Chm.



Date: January 23, 1976

Time:

## FOR ACTION:

cc (for information):

Phil Buchen

Jack Marsh

Jim Cannon

Max Friedersdorf

FROM THE STAFF SECRETARY

DUE: Date: Monday, January 26

Time: 10 A. M.

## SUBJECT:

James T. Lynn memo 1/23/76 re  
Local Public Works Capital  
Development and Investment Act of  
1975 (H. R. 5247)

## ACTION REQUESTED:

 For Necessary Action For Your Recommendations Prepare Agenda and Brief Draft Reply For Your Comments Draft Remarks

## REMARKS:

OMB is asking for a very quick review of this matter by the President. We felt you should review but we would appreciate your prompt response.

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James E. Connor  
For the President





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

JAN 23 1976

ACTION:

MEMORANDUM FOR:

THE PRESIDENT

FROM:

JAMES T. LYNN

SUBJECT:

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Development and Investment  
Act of 1975 (H.R. 5247)

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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 amendment to make cities over 50,000 eligible for EDA assistance could get EDA into a major new and costly urban development role. It would be a step in reestablishing categorical grant programs for urban development.

The Bill in total authorizes funding of over \$6 billion. Outlays in 1977 could be over \$3 billion if the funds were appropriated. It is unlikely that Congress would appropriate the full amounts authorized, but enactment of this bill would almost certainly result in a substantial increase in appropriations.

Recommendation

The Economic Policy Board has reviewed this bill and recommends that we advise the Congress that you will veto the bill, because of its impact on increasing the Federal deficit and because the programs are ineffective or unnecessary means of stimulating the economy.

Decision

\_\_\_\_\_ Agree

\_\_\_\_\_ Disagree

MINORITY MEMBERS  
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EDWARD MEZVINSKY, IOWA  
BARBARA JORDAN, TEX.  
GLENN ENGLISH, OKLA.  
ELLIOTT H. LEVITAS, GA.  
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ANTHONY MOFFETT, CONN.  
ANDREW MAGUIRE, N.J.  
LES ASPIN, WIS.

NINETY-FOURTH CONGRESS

# Congress of the United States

## House of Representatives

COMMITTEE ON GOVERNMENT OPERATIONS

2157 Rayburn House Office Building

Washington, D.C. 20515

January 26, 1976

MINORITY MEMBERS  
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ROBERT W. KASTER, JR., WIS.  
WILLIS D. CRADSON, JR., OHIO

MAJORITY—225-5091  
MINORITY—225-5074

Dear Colleague:

On Thursday, the House will be asked to approve a new \$1.5 billion program of Federal funding, on which not a single day of hearings has been held by the House.

Title II of the conference report on H. R. 5247, the Public Works Employment Act of 1975, establishes an entirely new form of Federal aid to State and local governments. Commonly referred to as countercyclical or anti-recession aid, Title II was added by the Senate to H. R. 5247, a bill passed by the House to speed construction of public works projects and help alleviate unemployment.

This title is, for all practical purposes, a variation of general revenue sharing and is essentially identical to legislation now pending in the Government Operations Committee. It is not germane to the bill to which it has been attached. However, in an effort to bypass the House rules dealing with nongermane provisions in conference reports, the proponents of the conference report will seek a rule waiving points of order.

I have supported and continue to support the public works provisions of H. R. 5247. But we should not be put in this all-or-nothing position. In order to give the members of the House an opportunity to act on this new program, I plan to ask the Rules Committee to grant a rule specifically providing for a separate vote on Title II.

Rules and procedures aside, there are ample reasons in the legislation itself to reject Title II at this time.

The Senate sponsors offer the program as an anti-recession measure to help State and city governments weather bad economic times without laying off employees or raising taxes. [Despite its emphasis on unemployment, nothing in Title II requires that this money be used for public works or to put people back to work.] The theory seems to be that simply handing additional Federal dollars to the States and cities will automatically solve their economic and unemployment problems. II

Another peculiar provision of this title provides Federal funds to bail out State and local governments which are unable to pay accrued interest to the holders of their outstanding debts. The provision establishes a contingency fund through which the Secretary of the Treasury could distribute as much as



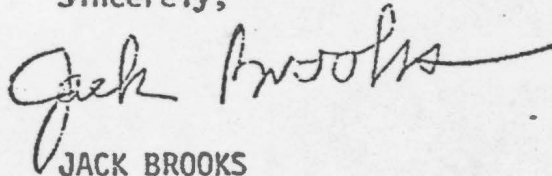
\$187.5 million for this purpose. I can find no justification for including this type of provision in either a public works bill, an employment bill, or a revenue sharing bill. Certainly it deserves more discussion and consideration than acting on this conference report will permit.

With a current budget deficit of over \$74 billion and with the Administration's projected deficit in Fiscal Year 1977 of \$43 billion, we owe the American people more responsible consideration of a program that is going to cost \$1.5 billion. Painful as it may be, State and local governments, which are already receiving \$6 billion a year through general revenue sharing, should be required to practice what economies they can instead of being encouraged to carry on business as usual with a new Federal handout.

If there is a reason to target more money to cities hard hit by the recession, as there well may be, the question should be considered in connection with the revenue sharing extension bill the Government Operations Committee will be taking up in the near future. If Title II is enacted as a separate measure, I anticipate a strong argument will be made in our committee for reducing revenue sharing funds for those cities being helped by the anti-recession program.

I hope you will help me protect the prerogatives of the House in the legislative process by supporting my effort to get a separate vote on Title II and then reject it.

Sincerely,



JACK BROOKS  
Chairman



ait almost immediately by needy States and localities. For New York, this bill will mean some \$138 million in new funds to be provided to help them restore basic municipal services which have been curtailed due to the recession. This would include the rehiring of essential public safety personnel, such as the estimated 3,000 police, firemen and correction officers, who have been laid off by the city. I have specifically requested the mayor of New York City to make the rehiring of these personnel a priority once the funds are released.

The tragedy of unemployment has struck millions of households throughout this Nation. Job layoffs have occurred across the board, both in blue collar and white collar positions. In New York City, even career civil servants were forced to be laid off. In a nation which prides itself on being built by the hands of hard working people, there is no reason why millions who are willing and able to work, should not be afforded that opportunity now. This bill represents one of the most ambitious efforts to date, by this or any other Congress, to create new jobs for the unemployed. Its overall importance to this Nation cannot be minimized. Its future importance to restoring economic stability to this Nation must be recognized. Let us not fail to respond to the challenge before us. I urge the overwhelming approval of this measure by the House today, and the immediate signature of the President.

Ms. ABZUG. Mr. Speaker, I rise in strong support of this conference report on which I was a House conferee. We are a Nation that is still in a deep recession. When we passed the House version of H.R. 5247 last May, I urged support for the measure by noting the high unemployment figures in States throughout the country. I regret to say that a review of those unemployment figures reveals a continuation of the same unfortunate conditions, despite the claims of the Ford administration. In California, the unemployment rate is 9.6 percent. The Massachusetts rate is 11.8 percent. Michigan is suffering from 12.2 percent unemployment. Pennsylvania is experiencing an 8.7 percent rate, Alabama's figure is 8.6 percent, Oregon has 9.9 percent unemployed. The list of States with similar figures is, sadly, very long. A number of industries, particularly the construction industry are in a desperate situation.

The impact of H.R. 5247 is, simply stated, to put hundreds of thousands of people to work. In the process, we will increase public revenues and decrease our welfare rolls. Those who argue that this Federal commitment would be inflationary should remember that Congressional Budget Office studies show that for every percentage point decrease in unemployment in excess of 4 percent, there is a resultant decrease of \$2 billion in Government expenditures and a \$14 billion increase in Federal tax revenues. It is much more productive to put people back on payrolls doing the necessary work of this Nation, than to continue spending \$30 billion on unemployment insurance, food stamps, and other unemployment benefit programs.

Neither should we overlook the public

sector needs that the public works program will fulfill. This program will build hospitals, schools, court houses, highways, airports that are immediately needed. Local government has not had the ability to pay for these facilities, certainly not in these difficult and often desperate days of recession, and the concomitant lessened local tax revenues that recession has brought. How many communities are in desperate need of sewers, storm drains, libraries, and community facilities? How many communities could use the shot in the arm that an additional 400,000 jobs would bring?

Mr. ADAMS. Mr. Speaker, I rise at this time to advise the House on the status of the pending legislation, H.R. 5247, the Public Works Employment Act, under the congressionally adopted budget ceilings for fiscal 1976.

In setting the fiscal 1976 budget ceilings, the conferees on the second congressional resolution provided \$9.5 billion in budget authority and \$7 billion in outlays for the community and regional development function. In setting these levels, the managers stated in the conference report that \$3.9 billion in budget authority and \$1 billion in outlays was provided for the public works and anti-recession assistance legislation contained in H.R. 5247.

The actual fiscal 1976 impact of H.R. 5247 is now estimated to be below the levels provided in the second congressional resolution on the budget. The legislation authorizes that there be appropriated only \$3.5 billion in budget authority in fiscal 1976. Outlays from these appropriations, if Congress subsequently fully funds these programs, are estimated to be no more than \$600 million in fiscal 1976. Thus, the potential cost of this legislation is \$400 million in budget authority and outlays below the levels set for it in our present ceilings for the fiscal year.

I would also point out, Mr. Speaker, that the spending targets which the Congress has established for this year's transition period also assumes full funding of the programs authorized in this legislation.

Finally, Mr. Speaker, I would remind my colleagues that enactment of this legislation and subsequent full funding of the programs involved was a major assumption underlying the overall economic stimulus strategy embodied in the congressional budget. The economic stimulation, and particularly the resulting job creation, to result from this legislation is essential if we are to achieve our goal of recovery and continued growth.

Mr. JONES of Alabama. Mr. Speaker, I have no further requests for time.

The SPEAKER pro tempore (Mr. Gibbons). All time has expired.

With out objection, the previous question is ordered on the conference report.

There was no objection.

The SPEAKER pro tempore. The question is on the conference report.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

## RECORDED VOTE

Mr. CLEVELAND. Mr. Speaker, I demand a recorded vote.

A recorded vote was ordered. The vote was taken by electronic device, and there were—ayes 321, noes 80, not voting 31, as follows:

[Roll No. 27]

## AYES—321

Abzug	Flood	Miller, Calif.
Adams	Florio	Mills
Addabbo	Flynt	Mineta
Alexander	Foley	Minish
Allen	Ford, Mich.	Mink
Ambro	Ford, Tenn.	Mitchell, Md.
Anderson,	Forsythe	Mitchell, N.Y.
Calif.	Fountain	Moakley
Anderson, Ill.	Fraser	Moifett
Andrews, N.C.	Frey	Mollohan
Annunzio	Fuqua	Montgomery
Ashley	Gaydos	Moorhead, Pa.
Aspin	Gaiomo	Morgan
AuCoin	Gibbons	Mosher
Badillo	Gilman	Moss
Bafalis	Ginn	Murphy, Ill.
Baldus	Gonzalez	Murtha
Barrett	Goodling	Myers, Pa.
Baucus	Gude	Natcher
Beard, R.I.	Haley	Neal
Bedell	Hall	Nedzi
Bergland	Hamilton	Nichols
Bevill	Hammer-	Nix
Biaggi	schmidt	Nolan
Blester	Hanley	Nowak
Bingham	Hannaford	Oberstar
Blanchard	Harkin	Obey
Blouin	Harrington	O'Brien
Boggs	Harris	O'Hara
Boiland	Hawkins	O'Neill
Bolling	Hayes, Ind.	Ottinger
Bonker	Hays, Ohio	Passman
Bowen	Hechler, W. Va.	Patten, N.J.
Brademas	Heckler, Mass.	Patterson,
Breaux	Hefner	Calif.
Breckinridge	Heinz	Pattison, N.Y.
Brinkley	Helstoski	Perkins
Brodhead	Henderson	Pettis
Brooks	Hicks	Peyster
Broomfield	Hightower	Pike
Brown, Calif.	Hillis	Pressler
Buchanan	Holtzman	Preyer
Burke, Calif.	Horton	Price
Burke, Fla.	Howard	Pritchard
Burke, Mass.	Howe	Railsback
Burton, John	Hubbard	Randall
Burton, Phillip	Hughes	Rangel
Carney	Hungate	Rees
Carr	Hyde	Regula
Carter	Jeffords	Reuss
Chappell	Jenrette	Richmond
Chisholm	Johnson, Calif.	Riegle
Clausen,	Jones, Ala.	Rinaldo
Don H.	Jones, Okla.	Risenhoover
Clay	Jones, Tenn.	Roberts
Cochran	Jordan	Rodino
Cohen	Kasten	Roe
Collins, Ill.	Kastenmeier	Rogers
Conte	Kazen	Roncallo
Corman	Kemp	Rooney
Cornell	Keys	Rosenthal
Cotter	Koch	Rostenkowski
Coughlin	Krebs	Roush
D'Amours	Krueger	Roybal
Daniels, N.J.	Landrum	Russo
Danielson	Leggett	Ryan
Davis	Lehman	St Germain
de la Garza	Lent	Santini
Delaney	Levitas	Sarasin
Dellums	Litton	Sarbanes
Dent	Lloyd, Calif.	Scheuer
Derrick	Lloyd, Tenn.	Schroeder
Derwinski	Long, La.	Schulze
Dingell	Long, Md.	Seiberling
Dodd	Lott	Sharp
Downey, N.Y.	McClory	Shipley
Downing, Va.	McCloskey	Sikes
Drinan	McCormack	Simon
Duncan, Ore.	McDade	Sisk
Duncan, Tenn.	McFall	Slack
Early	McHugh	Smith, Iowa
Eckhardt	McKay	Solarz
Edgar	McKinney	Spellman
Edwards, Calif.	Macdonald	Spence
Ellberg	Madden	Staggers
Emery	Maguire	Stanton,
English	Mahon	J. William
Esch	Mann	Stanton,
Evans, Colo.	Martin	James V.
Evans, Ind.	Matsunaga	Stark
Evins, Tenn.	Mazzoli	Steed
Fary	Meeds	Steiger, Wis.
Fascell	Melcher	Stephens
Fenwick	Meyner	Stokes
Fish	Mezvinsky	Stratton
Fisher	Mikva	Stuckey
Fithian	Milford	Studds

Sullivan  
Symington  
Taylor, N.C.  
Teague  
Thompson  
Thornton  
Traxler  
Tsongas  
Ullman  
Van Deetlin  
Vander Jagt  
Vander Veen

Vank  
Vigorito  
Waggonner  
Walsh  
Waxman  
Weaver  
Whalen  
White  
Whitten  
Wiggins  
Wilson, Bob  
Wilson, C. H.

Wilson, Tex.  
Wirth  
Wolf  
Wright  
Wyder  
Yates  
Yatron  
Young, Fla.  
Young, Ga.  
Young, Tex.  
Zablocki  
Zeferetti

NOES—80

Abd  
Archer  
Ashbrook  
Bauman  
Beard, Tenn.  
Bennett  
Brown, Mich.  
Brown, Ohio  
Broyhill  
Burgener  
Burleson, Tex.  
Burison, Mo.  
Butler  
Byron  
Cederberg  
Clancy  
Clawson, Del.  
Cleveland  
Collins, Tex.  
Conable  
Conlan  
Crane  
Daniel, Dan  
Daniel, R. W.  
Devine  
Dickinson  
du Pont

NOT VOTING—51

Andrews,  
N. Dak.  
Armstrong  
Bell  
Conyers  
Diggs  
Edwards, Ala.  
Flowers  
Green  
Guyer  
Hébert

Einborn  
Eshleman  
Findley  
Frenzel  
Goldwater  
Gradison  
Grassley  
Hagedorn  
Hansen  
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Jarman  
Johnson, Colo.  
Johnson, Pa.  
Jones, N.C.  
Kelly  
Ketchum  
Kindness  
Lagomarsino  
Latta  
Lujan  
McDonald  
McEwen  
Michel

Miller, Ohio  
Moore  
Moorhead,  
Calif.  
Myers, Ind.  
Pickle  
Ponge  
Quie  
Quillen  
Robinson  
Rousset  
Russell  
Satterfield  
Schneebeli  
Shuster  
Smith, Nebr.  
Snyder  
Steelman  
Steiger, Ariz.  
Symms  
Taylor, Mo.  
Thome  
Treen  
Wampler  
Whitehurst  
Wylie  
Young, Alaska

Pepper  
Rhodes  
Rose  
Ruppe  
Sebelius  
Shriver  
Skubitz  
Talcott  
Udall  
Winn

FURTHER MESSAGE FROM THE SENATE

A further message from the Senate by Mr. Sparrow, one of its clerks, announced that the Senate had passed with amendments in which the concurrence of the House is requested, bills of the House of the following titles:

H.R. 9803. An act to postpone for 6 months the effective date of the requirement that a child day care center meet specified staffing standards (for children between 6 weeks and 6 years old) in order to qualify for Federal payments for the services involved under title XX of the Social Security Act, so long as the standards actually being applied comply with State law and are no lower than those in effect in September 1975.

The message also announced that the Senate insists upon its amendments to the bill (H.R. 9803) entitled "An act to postpone for 6 months the effective date of the requirement that a child day-care center meets specified staffing standards—for children between 6 weeks and 6 years old—in order to qualify for Federal payments for the services involved under title XX of the Social Security Act, so long as the standards actually being applied comply with State law and are no longer than those in effect in September 1975," requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. LONG, Mr. HARTEE, Mr. RIBICOFF, Mr. HARRY F. BYRD, Jr., Mr. MONDALE, Mr. HATHAWAY, Mr. FANNIN, Mr. HANSEN, and Mr. PACKWOOD to be the conferees on the part of the Senate.

APPOINTMENT OF CONFEREES ON H.R. 9803, DAY-CARE CENTER REQUIREMENTS

Mr. ULLMAN. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H.R. 9803) to postpone for 6 months the effective date of the requirement that a child-day-care center meet specified staffing standards—for children between 6 weeks and 6 years old—in order to qualify for Federal payments for the services involved under title XX of the Social Security Act, so long as the standards actually being applied comply with State law and are no longer than those in effect in September 1975, with Senate amendments thereto disagree to the Senate amendments, and agree to the conference asked by the Senate.

The SPEAKER. Is there objection to the request of the gentleman from Oregon? The Chair hears none and appoints the following conferees: Messrs. ULLMAN, CORMAN, RANGEL, STARK, WAGGONNER, SCHNEEBELI, and VANDER JAGT.

RENEGOTIATION ACT AMENDMENTS OF 1975

Mr. MINISH. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill (H.R. 10680) to revise and extend the Renegotiation Act of 1951.

The SPEAKER. The question is on the motion offered by the gentleman from New Jersey (Mr. MINISH).

The motion was agreed to.

IN THE COMMITTEE OF THE WHOLE

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill (H.R. 10680), with Mr. DANIELSON in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. Before the Committee rose on yesterday, the Clerk had read through section 1 ending on page 1, line 5, of the bill and there was pending an amendment in the nature of a substitute offered by the gentleman from Idaho (Mr. HANSEN).

The gentleman from Idaho (Mr. HANSEN) is recognized for 5 minutes at this time in support of the gentleman's amendment.

(Mr. HANSEN asked and was given permission to revise and extend his remarks.)

Mr. HANSEN. Mr. Chairman, my substitute amendment and language is to amend the renegotiation proposal that is in the committee bill. I feel that the enactment of the committee bill would create more problems than it would solve. Both these measures deal with the Renegotiation Board, an independent executive branch agency established in 1951 to review defense, space, and related contracts in order to eliminate excessive profits. Although continually improving Government procurement practices should eventually make the renegotiation process almost unnecessary the Board provides an additional safeguard to make sure that taxpayers and their Government receive fair value for dollars spent.

Currently, however, the Renegotiation Board is in serious difficulty. With only 48 accountants and 9 lawyers on its small staff of 200 employees to screen more than \$40 billion in contracts annually the Board fell 1,000 cases further behind in initial screening in 1975. The backlog of cases involving possible excessive profit increased in 1975 by 2 cases, to a total of 1,308, representing approximately \$100 billion of renegotiable sales.

Now, I believe there are a substantial number of people in this body on both sides that believe legislation to help Board expedite consideration of backlog is absolutely of paramount importance.

We feel also that the committee is the wrong way to proceed. The committee bill (H.R. 10680) creates new problems for the Renegotiation Board, Nation's consumers, and business. The time when Government regulations restrictions are already costing American consumers an estimated \$130 billion a year, an average of about \$2,000 a family, this bill sets up a series of stringent requirements, putting particularly burdensome demands on contracts particularly small businesses, that will simply not compete for Government contracts and some may even close altogether.

Inevitably the additional costs incurred by H.R. 10680 will be passed all citizens in both higher taxes and prices.

We should be encouraging, not discouraging, business sector comp

The Clerk announced the following pairs:

On this vote:  
Mr. Murphy of New York for, with Mr. Hébert against.

Until further notice:  
Mr. LaFalce with Mr. Andrews of North Dakota.  
Mr. Patman with Mr. Edwards of Alabama.  
Mr. Pepper with Mr. Mathis.  
Mr. Udall with Mr. Rhodes.  
Mr. Diggs with Mr. Armstrong.  
Mr. Conyers with Mr. Madigan.  
Mr. Karth with Mr. Ruppe.  
Mr. Holland with Mr. Bell.  
Mr. Rose with Mr. Guyer.  
Mr. Flowers with Mr. Shriver.  
Mr. Green with Mr. McCollister.  
Mr. Metcalfe with Mr. Sebelius.  
Mr. Mottl with Mr. Talcott.  
Mr. Winn with Mr. Skubitz.

Mr. McCORMACK changed his vote from "nay" to "yea."

So the conference report was agreed to. The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. JONES of Alabama. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the conference report on H.R. 5247.

The SPEAKER. Is there objection to the request of the gentleman from Alabama?

There was no objection.

GARRY BROWN  
30 DISTRICT, MICHIGAN

COMMITTEE ON  
BANKING, CURRENCY AND  
HOUSING

COMMITTEE ON  
GOVERNMENT OPERATIONS

JOINT ECONOMIC COMMITTEE

JOINT COMMITTEE ON  
DEFENSE PRODUCTION

Congress of the United States  
House of Representatives  
Washington, D.C. 20515

February 11, 1976

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WASHINGTON, D.C. 20515  
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TELEPHONE: (313) 542-1551

ROOM 112 FEDERAL BUILDING  
410 WEST MICHIGAN AVENUE  
KALAMAZOO, MICHIGAN 49006  
TELEPHONE: (616) 381-8290

Dear Colleague:

It is anticipated that the President will veto H.R. 5247, the so-called Public Works Employment Act of 1975, and that the House will be called upon to again consider this measure. Although the House vote upon final passage of H.R. 5247 was such as to indicate that an override of the veto might well be expected, the situation in the Senate is not so certain . . . but all of this is beside the point.

Many of our colleagues who supported H.R. 5247 have expressed concern, despite their favorable vote, that H.R. 5247 is too costly, cannot address the unemployment problem in a quick enough time frame, and leaves much to be desired with respect to its implementation and administration. In short, it constitutes another new program involving administrative costs unrelated to unemployment alleviation and very probably amounts to too much too late.

In view of this, we have introduced today H.R. 11860, a bill developed after much deliberation which we feel is a much more direct, effective, efficient, and equitable program of relief for those areas and communities especially hard hit by unemployment than is H.R. 5247.

As briefly stated as possible, our proposal tracks to a certain extent the counter-cyclical assistance program incorporated in Title II of H.R. 5247. However, it is significantly different with respect to its method of distribution of funds in that it uses the existing mechanism of the community development act (Housing and Community Development Act of 1974) which is already in place and can provide the conduit for the immediate financing of projects on an accelerated basis, whereas the distribution of funds under H.R. 5247 could be delayed for months while the necessary guidelines, regulations, and qualification standards are being adopted and promulgated.

Under our bill, the supplemental assistance would be activated when the national unemployment rate is over 7%, as it is now, and would make available for distribution each calendar quarter a sum determined by multiplying \$15 million times each 1/10th of 1% by which unemployment exceeds 7%. Since under our proposal distribution of funds is based upon the next preceding quarter's unemployment and since unemployment the last quarter of 1975 was 8.5%, as of April 1 of this year \$225 million would be available for distribution for that calendar quarter ( $8.5\% - 7\% = 1.5\%$  and  $15 \times \$15 \text{ million} = \$225 \text{ million}$ ).

If unemployment remained at the 8.5% level, a total year's funding of this program would, therefore, cost \$900 million (4 quarters x \$225 million). However, since unemployment has been dropping and is expected to continue to fall during the next year, the bill calls for a total authorization of \$780 million, which is the best estimate we have been able to develop based upon the unemployment rates anticipated during such year.

Approximately 75% of the assistance would be provided to cities and urban counties with unemployment over 8%, based directly and proportionately on the extent to which their unemployment exceeds 8%. In the same manner, the remainder of the funds would be distributed to states for distribution in non-urban areas having unemployment over 8%.

Grants under this supplemental program would automatically flow to recipients' community development programs upon the submission of a brief statement of the recipient's planned use of the funding, referencing its community development plan and the proposed job intensive use, acceleration of planned projects, and

reduction of unemployment to be accomplished by such assistance.

The special advantages of this program over H.R. 5247 are:

- (1) Areas and communities with the highest unemployment receive the greatest amount of assistance and the assistance tracks increases and reductions in unemployment.
- (2) Being an emergency program, it automatically triggers in and triggers out when unemployment exceeds 7% or is reduced below 7%.
- (3) In addition to stimulating the local economy with 'new' money, the supplemental assistance will allow recipients to attract and keep industry and stabilize and improve declining neighborhoods. These activities will create private sector jobs and improve local economies.
- (4) Use of the existing block grant administrative structure at the Federal, state, and local level practically eliminates start-up time and administrative costs and will result in funds being available immediately for the creation of jobs for our unemployed.
- (5) At a first year's cost of \$780 million, 38,000 jobs will be created during the quarter beginning April 1 and another 25,000 jobs within the next six months. In contrast, H.R. 5247 at a total cost of over \$6 billion would produce an estimated 28,000 jobs during the first quarter after implementation (which, for the reasons we have already indicated and will expand upon, might be as much as three to six months down the road). Ultimately, it is true that H.R. 5247 might create up to 198,000 additional jobs but only long after the program was implemented and the need for the stimulus had substantially subsided.

We have emphasized the importance of the use of the administrative structure of the community development program and its benefits because we feel it is all-important that any jobs program should put people to work at the earliest possible moment. Our proposal does this. H.R. 5247 does not.

Let us give you one simple example as to why funds under Title II of H.R. 5247 cannot start flowing by April 1 of this year as they can under our bill.

As you know, the formula for distribution under H.R. 5247 has two factors . . . unemployment and taxes. That Act defines "local adjusted tax amount" as follows . . . and please consider the difficulty of interpretation if you can:

*(C) the local adjusted tax amount means—*

*(i) the amount of compulsory contributions exacted by the local government for public purposes (other than employee and employer assessments and contributions to finance retirement and social insurance systems, and other than special assessments for capital outlay) as such contributions are determined for the most recent period for which such data are available from the Social and Economic Statistics Administration for general statistical purposes,*

*(ii) adjusted (under rules prescribed by the Secretary) by excluding an amount equal to that portion of such compulsory contributions which is properly allocable to expenses for education,*

*(and in the case of local governments treated as one local government under paragraph (3)(A), the local tax amount shall be the sum of the local adjusted tax amounts of all local governments within the State, adjusted by excluding an amount equal to the sum of the local adjusted tax amounts of identifiable local governments within the jurisdiction of that State);*

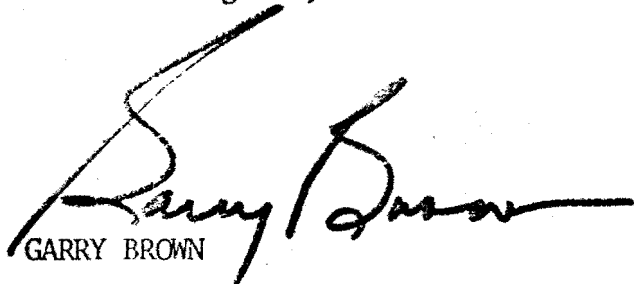


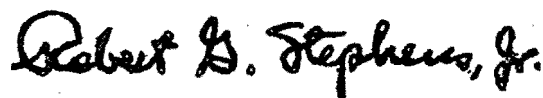
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We respectfully suggest that the problems of interpretation and of getting regulations adopted and promulgated permitting Title II to get off the ground will delay the actual receipt of funds by recipients for many months and makes the argument in support of our proposal even more convincing.

We are convinced that our alternative proposal to H.R. 5247 is much more desirable and will put our unemployed to work much more quickly and in more satisfactory jobs than can H.R. 5247, and we urge your support of this bill.

With best regards,

  
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ROBERT G. STEPHENS, JR.

P.S. A copy of the bill is attached and if you wish to co-sponsor, please call Mike Brunner on x55011.

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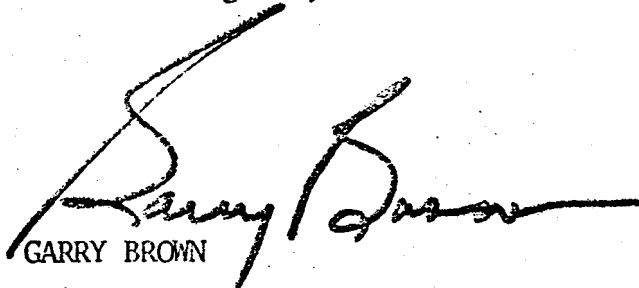
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P.S. A copy of the bill is attached and if you wish to co-sponsor, please call Mike Brunner on x55011.

*Ray Brown*  
(Original signature of Member)

IN THE HOUSE OF REPRESENTATIVES

(for himself and Mr. Stephens)  
Mr. Brown of Michigan introduced the following bill; which was referred  
to the Committee on \_\_\_\_\_

**A BILL**

(Insert title of bill here)

To amend the Housing and Community Development Act of 1974 to provide supplementary community development block grant assistance to communities with high unemployment due to adverse national economic conditions, and for other purposes.

1 Be it enacted by the Senate and House of Representatives of the United  
2 States of America in Congress assembled, That this Act may be cited ...  
3 as the "Supplemental Community Development Employment ...  
4 Assistance Act of 1976".

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

6 (1) that many of the Nation's cities and other  
7 communities, whose economic health is  
8 essential to national economic prosperity,  
9 are experiencing considerable hardships due  
10 to high unemployment resulting from recession;  
11 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 and accelerating locally determined community development activities to generate immediate employment in 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 be in addition to the assistance provided 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 or other activities which are approved by the Secretary as consistent with the objectives of this title. There are hereby authorized to be appropriated \$780,000,000.00 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 of 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 defined by the Secretary and which are 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 three months before the beginning 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 for such quarter as prescribed by the Secretary which --

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

"(B) demonstrates that the proposed use or uses is consistent with the recipient's Community Development Program, if any;

"(C) 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 30 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 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. The Secretary shall approve an application for assistance allocated under this section unless the Secretary determines that the proposed use of 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 25 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 except that the Secretary may waive any such requirement or provision which the applicant certifies will adversely effect the efficiency or impact of the funds provided under this section.

"(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."

## EXECUTIVE SUMMARY

The purpose of this memorandum is to provide a brief discussion of H.R. 5247 and to outline the advantages of a community development block grant substitute for the enrolled enactment.

### I. Summary of Description and Weaknesses of H.R. 5247

Title I. Provides a FY 1977 authorization of \$2.5 billion for 100% federal grants for local public works projects, thereby replacing careful local project selection with grantsmanship.

Title II. Provides for temporary grants to State and local governments to help them maintain basic municipal services. The estimated cost is \$1.5 billion over the next 15 months. The program is triggered by the national unemployment rate exceeding 6%. Because local fund allocations would be based in part on local taxes raised, cities and States would receive aid based on what they spend, creating incentives to greater expenditures.

Title III. Provides (1) \$1.4 billion in FY 1977 funds for EPA's wastewater treatment grants, (2) an extension, \$500 million authorization and modification of the Job Opportunities program, (3) interest subsidies on EDA loans to businesses, and (4) additional EDA grant and loan authority which would effectively make EDA an Urban Renewal Agency.

Only a small proportion of the over \$6 billion cost of H.R. 5247 would be available, in the short term, to create local jobs.

### II. Proposed Alternative to H.R. 5247

#### A. Program Description

Under HUD's proposal funds would be provided primarily to cities with more than 50,000 population, since they were the hardest hit by the recent recession and will be slowest to recover. The HUD proposal seeks to create private sector jobs in areas of excessively high unemployment.\* This temporary assistance, which dove-tails with the President's philosophy that economic growth is best produced through the private sector, will help revitalize these very depressed areas so that they may participate in the national recovery.

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

The program would be activated only when the national unemployment rate is over 7%, and \$15 million per quarter would be available for each .1% by which unemployment exceeds 7%. At the present 8.3% rate of unemployment (1.3% above 7%) funds would be provided in the amount of \$195 million per quarter, or \$780 million per year.

Assistance would be provided only to cities with unemployment over 8% based on the extent to which the city's unemployment exceeds 8%. (See attached table for examples.)

Twenty-five percent of the funds would be distributed to states with unemployment over 8% to use in areas outside cities of 50,000.

#### B. Program Administration

Grants would flow into their community development program, subject to the same statutory standards as community development block grants. To participate, the city would submit a brief statement of its planned use of the funding, referencing its HUD-approved community development application.

#### C. Advantages

- (1) The measure provides emergency relief only to those local governments with high unemployment.
- (2) Cities which experience improved employment conditions will have their own supplemental funding reduced quarterly.
- (3) The program phases out automatically when the national unemployment rate drops below 7%, which is predicted to occur in early 1977.
- (4) Directing supplementary funding into local community development programs is responsive to the special problems of the cities. In addition to stimulating the local economy with "new" money, the supplement will allow the recipients to attract and keep industry and stabilize and improve declining neighborhoods. These activities should create private sector jobs and improve the local economy.

- (5) Most of the funds would be spent on activities which create jobs in the private sector rather than creating long term obligations for financially strapped local governments by swelling public payrolls.
- (6) The HUD proposal, at a cost of \$780 million, will create at least 38,000 jobs during the first quarter after implementation 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 would create up to 198,000 additional jobs, but only long after the program was implemented and the stimulus needed.
- (7) Use of the existing block grant administrative structure at the Federal and local level reduces start-up time and administrative costs; requires local priority-setting which would be lost under the categorical programs in H.R. 5247; and avoids the disruption which often occurs when Federal funds are discontinued.
- (8) As the economy continues to recover and interest rates fall, the cost of government borrowing will decrease and the Administration can remain within its budget target of \$395 billion.
- (9) The \$6 billion public works/public employment bill now before you passed the House by a clear veto override margin. Availability of a far less costly and programmatically sounder Administration alternative could provide the margin to sustain a veto.
- (10) Proposing an alternative, even if it is unsuccessful and the veto is overridden, shows that the Administration is concerned about and looking for ways to help urban centers with high unemployment.