

CONSUMER RELATED BUDGET CUTS

HEARINGS
BEFORE THE
SUBCOMMITTEE ON CONSUMER ECONOMICS
OF THE
JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES
NINETY-THIRD CONGRESS
FIRST SESSION

APRIL 17 AND 18, 1973

Printed for the use of the Joint Economic Committee



U.S. GOVERNMENT PRINTING OFFICE

96-088

WASHINGTON : 1973

For sale by the Superintendent of Documents, U.S. Government Printing Office
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Stock Number 5270-01950

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CONSUMER RELATED BUDGET CUTS

TUESDAY, APRIL 17, 1973

CONGRESS OF THE UNITED STATES,
SUBCOMMITTEE ON CONSUMER ECONOMICS
OF THE JOINT ECONOMIC COMMITTEE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:10 a.m., in room 318, Russell Senate Office Building, Hon. Hubert H. Humphrey (chairman of the subcommittee) presiding.

Present: Senator Humphrey and Representative Conable.

Also present: Jerry J. Jasinowski and L. Douglas Lee, professional staff members; Michael J. Runde, administrative assistant; Leslie J. Bander, minority economist; and Walter B. Laessig, minority counsel.

OPENING STATEMENT OF CHAIRMAN HUMPHREY

Chairman HUMPHREY. The meeting of the Subcommittee on Consumer Economics is called to order.

The first thing I want to do is to thank the mayor of Milwaukee for his presence here today.

Mayor Maier, I thank you very much for your coming.

And we look forward to your testimony.

The brother of one of our other witnesses, Professor Darfman, passed away, and he was unable to be with us.

And the third witness is the Director of the Office of Management and Budget.

And he has declined our invitation.

So this morning, I must regretfully open this hearing with the bad news that Mr. Roy L. Ash, Director of the Office of Management and Budget, has refused to testify before the Consumer Economics Subcommittee.

Over the weekend I received a letter from Mr. Ash in which he said that, "It would be inappropriate for me to appear before your subcommittee on April 17."

Mr. Ash's reason for refusing to come is that he is only responsible for the overall fiscal outlook, but not for the details about why certain budget cuts are made.

We had hoped to analyze these budget cuts in relationship to the economy, as to what these budget cuts would mean to a city, for example, such as the city of Milwaukee, or other cities in the United States, and what these budget cuts would mean in the fields of education, health, and many areas of our social and economic structure that are so meaningful to our people.

Regretfully, Mr. Ash is not with us.

That puts him in the incomprehensible position of being in charge of managing the budget in general but not in particular. Mr. Ash's position is incorrect in two ways.

First, his decision to emphasize budget totals is in large measure irrelevant since there is little controversy about the totals.

The President has proposed spending \$268.7 billion in fiscal 1974. The vast majority of professional economists agree with roughly this level as does the Congress. The Senate in fact has formally established a \$268 billion ceiling for fiscal 1974, \$700 million less than the President's proposal. I voted for that ceiling.

I have been before two committees of the Congress, one on congressional operations and one committee on the budget, recommending that we have a budget ceiling, and that the budget ceiling of \$268 billion was more than adequate.

Second, Mr. Ash's refusal to testify is in my judgment an abdication of his responsibilities to the public and to Congress as the Director of the Office of Management and Budget.

It is well established that the OMB Director is responsible for the detailed evaluation of particular Government programs, and for actions that reduce or terminate these programs.

Mr. Ash in fact has said the same on several occasions. When testifying before the Joint Economic Committee earlier this year, Mr. Ash had the following colloquy with Congressman Widnall:

Representative WIDNALL. Mr. Ash, you have stated repeatedly in your testimony that in preparing this budget an effort was made to examine Government programs and to weed out the ones which were ineffective or outmoded.

First, could you tell us how you went about this, since I believe this was a direct function of OMB?

And second, can you tell me what other programs we might see come under careful scrutiny for inclusion on coming budget years?

Mr. ASH. I will answer the last part first. I can give a shorter answer.

All programs will come under careful scrutiny for the coming years. That is one of the responsibilities imposed by the President upon the Office of Management and Budget and we would expect to continue to keep all programs under careful scrutiny.

As to the first part of the question, how were these judgments made?

They were made, first, by observing the applicable laws and, second, looking at each of the programs in relation to them. * * *

In other words, Mr. Ash admits his responsibility when it suits him, but it does not suit him when confronted with searching questions about the honesty and competence of the administration's spending policies.

The Joint Economic Committee staff study I released last Friday, analyzing OMB's budget cut justifications, raised some questions Mr. Ash apparently cannot effectively answer.

First, where are the studies to support the administration's budget cuts?

While the administration claims to have made the "most exhaustive evaluation of Federal programs ever undertaken"—and that is a quotation from Mr. Ash himself—the truth is that there are no studies or evaluations to back up the budget cuts.

I asked Mr. Ash to send the Joint Economic Committee the cost-benefit studies showing that the programs being cut are the most ineffective.

We were instead given the idiot treatment with explanations like the following:

We are told that the public employment program is terminated because, "The remaining unemployed are in need of assistance that this program cannot provide."

We are told that the Economic Development Administration is bad because its funds have been too widely dispersed.

I might add that the Economic Development Administration under Mr. Podesto was given one of the finest ratings of any program in the Government for its effectiveness. Mr. Podesto did me the courtesy of paying me a call to show me the reports that had been made on the Economic Development Administration.

An analysis has been made of that program just prior to its termination. That analysis, by a prominent respected accounting firm, demonstrated that the program was one of the most efficiently operated and administered programs in the Government, and secondly, that its cost benefit ratio was second to none.

Within 2 weeks after having received the report from an outside firm that had been commissioned by the Office of Management and Budget to analyze the program, the OMB, at the direction of the President, canceled the program.

In other words, high grades from a respected outside source, competent economists and accountants, cannot stand in the way of a policy decision to terminate the Economic Development Administration.

And then we saw in the so-called evaluations that the mental health centers are condemned because their funds are too highly concentrated—whatever that means.

We are told that the open space land program is deficient because "benefits accrue primarily to residents served by the parks."

I would like to have the record once again reminded that the open space land program is deficient because "the benefits that accrue primarily to residents served by the parks."

It was my judgment that that is what the open space program was for.

We are told that the housing programs are bad because they have experienced scandals, but there is no mention of HUD's management failures as the cause of these scandals.

We don't abolish medicine because of a poor medical practice. And we don't abolish the banking program in the country, the banking system, because of the corruption of a banker.

The housing programs are the victims of gross mismanagement.

It's not that the program is wrong; what is wrong is the slipshod incompetent administration.

And the list goes on and on.

Second, how phony are the administration's budget cuts?

The Joint Economic Committee staff study of administration budget cuts found that about \$8 billion of the estimated \$11 billion in claimed fiscal 1973 savings is highly questionable as real budget savings.

It is to this that I wished to address my questions this morning to Mr. Ash.

It is not a real saving to shift \$1.5 billion of general revenue sharing payments a few days so that it is accounted for in fiscal 1974 rather

than fiscal 1973; it is not a real saving to sell off \$1.5 billion in Federal credit and stockpile assets; that is merely a transfer of assets.

It is not a real saving of \$242 million to have a windfall increase in receipts from the terminated European fund; it is not a real saving of \$17 million to have maritime subsidy payments "automatically" reduced because there are not enough ships to subsidize. It is a deception to claim that such bookkeeping manipulations are savings.

And these are the very issues that I wanted to ask Mr. Ash about.

We have honest differences about what our real savings are, as I said last Friday; I did not claim that we had a monopoly in our definitions of real savings in the Joint Economic Committee—I felt that it was open to discussion.

Yet, the same kinds of manipulations characterize the so-called budget savings for fiscal 1974. In order to claim fiscal 1974 savings, farm price support payments are overestimated, social service grant payments are literally made up without any actual base whatever, the defense budget is artificially inflated, dozens of programs are skillfully reprogrammed, and the Government sells off assets. In all, the JEC staff study finds that about \$8 billion of the claimed fiscal 1974 savings of \$17 billion are not going to save the taxpayer a dime.

Third, who are the big spenders?

Several administration spokesmen have argued that unconstrained congressional spending would have driven fiscal 1973 spending \$11 billion over a spending ceiling of \$250 billion, were it not for the President's intervention to control that spending.

First of all, there was no spending ceiling. That was not authorized by the Congress. That was a proposal by the President. The President refused to accept the formula that the Congress was willing to design; namely, to set a spending ceiling of \$250 billion, and then to provide that budget cut of up to 10 percent could be made across the board on any and all programs. That was unacceptable to the White House.

An examination of the facts about who initiated additional spending beyond the President's original fiscal 1973 budget requests reveals that this is not true, however.

Namely, that the administration has been responsible for curbing the spending.

In the first place, the President originally proposed \$246 billion for the fiscal 1973 budget, which he himself increased to \$250 billion.

In fact, the total \$15 billion increase in fiscal 1973 spending over the President's original budget proposals consisted of roughly \$6½ billion in Presidential spending initiatives, \$1½ billion in uncontrollable spending increases, \$5 billion in congressional spending initiatives, and \$2 billion in imaginary cost increases for the social service grant program.

Now, that last item is the phoniest of them all. We did set a social service program, grant program, of \$21½ billion. The Congress set that. The request had been for \$41½ billion from Governors and local officials.

But that request was not granted. Therefore, the President claims that \$2 billion savings, because somebody had asked for more than they got.

Mr. Ash apparently has refused to testify because he did not want to have to explain how the details contradict the administration's

slogans about Congress being the big spender and the administration being the prudent economizer. There appears, in fact, to be a general effort within the administration to propagandize the budget issue. Instead of coming to testify before Congress on the specific rationale for the budget cuts, the White House has distributed a 145-page PR kit to top administration officials. The purpose of the kit is to encourage the continued distortion of the budget issues.

And here is the lead story from the New York Times of this past week on Sunday, and it reads:

WHITE HOUSE PUSHES BUDGET PUBLICITY

The White House has mobilized the Government's extensive public relations machinery to rally support for the Administration's budget cuts.

The themes and tactics of the publicity campaign were outlined in "The Battle of the Budget, 1973," a 145-page kit that was sent 10 days ago to every Presidential appointee in the Cabinet departments by the White House's deputy communications director, Ken W. Clawson.

Each kit contains background information on President Nixon's positions. "One-liners" and anecdotes that can be used in speeches are included, along with a list of "horror stories" describing the programs that Mr. Nixon would like to end.

The major theme of the campaign, according to the kit, is that President Nixon's budget has moved the United States toward a goal it has not achieved in nearly 20 years: "prosperity without war and without inflation."

The key to the budget, according to the material, is "its tight lid on spending." If the "big spenders in Congress" ignore it, the kit says, "the increase in our tax bills could be as much as 15 per cent." Taxpayers are thus urged to write their Congressmen to tell them "where you stand."

A "basic-spending speech" is included in the kit, as well as such anti-Congress "one-liners" as, "They may look like a Santa Claus Congress—but it's got a bagful of bad news for the taxpayers."

Under the heading, "Defense Spending: At the Razor's Edge," the kit preparers suggest responses to the charge that the Administration's budget cuts have crippled human welfare programs while the military budget is full of waste.

The fashionable charge that the defense budget is bloated at the expense of spending for human needs is a pernicious myth which has no foundation in fact, the Federal officials are told. For documentation, there are figures that show that in the fiscal year 1974, defense spending will consume only 29.2 per cent of the budget, compared with 43.9 per cent in 1968.

And in response to the charge that more money would be available if tax loopholes were closed, a countercharge is suggested: "It could be argued that the biggest loophole of all in the national economy is excessive Federal Government spending."

The kit cites Community Action, urban renewal and Model Cities as "program failures." The Concentrated Employment Program in New York City is cited as an "example of horror stories might be used."

"In East Harlem, the program established the commendable goal of 1,400 enrollees," the kit states. "Only 616 persons were actually enrolled while 170 of them dropped out. Instead of the hoped-for-job placements of 920, the magic figure for the number of persons placed on jobs was—6."

The kit says that such an example shows that it is often the poor "who are most hurt by the inflated expectations that these programs have a habit of creating."

"But worse yet," the publicists say, "is to see money go to the wealthy." The example given involves Mrs. Katherine Graham, the publisher of The Washington Post, who according to newspaper reports has received nearly \$1,000 for use on country property from the Rural Environmental Assistance Program, which Mr. Nixon proposes to abolish.

The moral of this "horror story," according to the kit:

Less the pity that cutbacks in such abjectly bankrupt programs affect most the Sunday English saddle-set. They shall have to make do without.

Mr. Clawson said last week that no one in a Federal department was specifically ordered to defend the administration's budget along these lines. We simply said, "Where appropriate, talk about the budget," he said.

At least one office took Mr. Clawson's advice very seriously and that was in the Labor Department. Each Assistant Secretary, according to reliable sources, was told by Frank Johnson, the Department's Director of Public Information, to make at least one statement on the budget every week.

As a result, every day this past week, the Department's audio news service, which provides recorded statements to out-of-town radio stations, featured a Labor Department official discussing President Nixon's budget, often using the same phrases suggested in the "Battle of the Budget, 1973."

At this point, I ask for the response of the Comptroller General of the United States to this Congress as to where the money is coming from for this kind of internal administration propaganda.¹

We do not permit the U.S. Information Service to propagandize within the United States. And I am not going to permit the White House to propagandize within the United States at the taxpayers' expense.

The place for that kind of propaganda is before this subcommittee, right where the administration witnesses can be cross-examined.

I want to know the cost of that 145-page kit. I want to know how many were printed. I want to know where the printing was done. I want to know how many people have been receiving that kit. And I want to know to what use it has been put.

I have tried to get a copy of that kit. I have not been able to get one.

And I think it is imperative that the committees of Congress also be blessed with the propaganda barrage, as well as the general public.

And that is one of the reasons I wanted Mr. Ash here to tell us why this kit, for what purpose, what can be said in that kit that can't be said here, where we have an opportunity for cross-examination.

We in Congress cannot and will not allow this to happen. We must put the spotlight on what is really happening beneath the administration spending reform rhetoric.

I want to see the administration and the Congress work together to put a curb on unnecessary expenditures, and to put tighter controls on the budget.

I have testified before the appropriate committees and have offered the kind of material that I think would be helpful.

I encourage Members of Congress, the press, and other interested parties to examine the OMB budget cut material that has been sent here to the Joint Economic Committee,² which I released last week, the committee staff's analysis of it, and the correspondence³ between Mr. Ash and myself in this matter.

And I am making the Joint Economic Committee's staff analysis a part of the record at this point.

[The staff analysis follows:]

AN ANALYSIS OF THE ADMINISTRATION'S SPENDING REFORM PROPOSALS⁴

Although a great deal has been said and written about the fiscal 1974 "battle of the budget," and the spending reform issue, the debate has been characterized

¹ The response of the Comptroller General may be found on p. 40.

² The information supplied by the Office of Management and Budget may be found in "The 1973 Economic Report of the President," hearings before the Joint Economic Committee, pt. 1, pp. 124-186.

³ The correspondence referred to may be found on p. 16.

⁴ A Joint Economic Committee staff study prepared with the assistance of the Library of Congress, dated Apr. 16, 1973.

by a high degree of assertions and rhetoric. The Administration asserts that the Congress is irresponsible in its management of tax money, and Congress asserts that the Administration is dismantling 30 years of social programs. In addition, the debate on impoundment has tended to focus on the general question of which branch has what constitutional powers and not on the true merits of the particular programs for which funds have been restricted.

The Administration's spending reform proposals merit more searching examination because, with general agreement that the Federal budget level should be held to \$268 billion, the central budget issue is one of priorities—what activities should be cut and what activities should be increased. An understanding of why certain programs were cut, in the sense of how they were deficient, is also a necessary step to formulating alternative techniques for those areas where social problems remain.

The President himself has characterized the budget as dramatic because it fulfills his "pledge to hold down Federal spending." In particular, the Administration *claims* its spending proposals are important because they:

- Hold down excessive Congressional spending;
- Are responsible for substantial budget savings;
- Represent a comprehensive evaluation of all government programs and a determination of which ones are most ineffective.

The purpose of this analysis is to examine these assertions about spending reform in the light of the best available evidence. The necessary information is not available in the budget. The analysis is therefore based in large measure on information obtained from Mr. Roy Ash, Director of the Office of Management and Budget, at the request of both Senator Hubert H. Humphrey and Senator William Proxmire. Our evaluation of that information should be regarded as preliminary work to be further refined by General Accounting Office studies and public hearings.

Based on the discussion that follows, our preliminary findings on the Administration's spending reform proposals are:

That recent increases in government spending are the joint result of Executive and Congressional actions;

That the real savings obtained from Administration budget actions are substantially less than the savings claimed. For fiscal 1973, approximately \$8 billion of the estimated \$11.0 billion in savings is questionable as real budget savings. For fiscal 1974, approximately \$8 billion of the estimated \$17.0 billion in savings is also questionable as real budget savings;

That the Administration has made no analytical evaluations to support the real budget cuts that were made. Moreover, the information provided to the Committee as formal justification for the budget cuts is of such low quality that Congress cannot rely upon it in formulating spending reform and setting national priorities.

WHO SPENT THE MONEY?

Several Administration spokesmen have argued that unconstrained Congressional spending would have driven fiscal 1973 spending \$11 billion over a spending ceiling of \$250 billion. Were it not for the President's intervention to control that spending. In a March 27, 1973 New York Times article entitled "Congress As The Crisis," Mr. Caspar Weinberger described Congress as on a spending binge, and:

"Only Presidential intervention prevented an additional \$11 billion increase in this fiscal year's budget. Left to its own devices, Congress has created a spending momentum that would have pushed the budget \$19 billion above President Nixon's 1974 request, and \$24 billion above the President's proposals for 1975."

An examination of the facts about who initiated additional spending beyond the President's original fiscal 1973 budget requests reveals a different picture, however. In the first place, the President originally proposed \$246 billion for the fiscal 1973 budget. That was increased to \$250 billion by the Administration itself, which apparently felt that additional outlays of \$1.2 billion for Vietnam, \$1.5 billion for hurricane Agnes, and certain other supplementals were necessary; an additional \$2.6 billion was due to an Administration request to shift fiscal 1972 revenue sharing into fiscal 1973. Still another \$1.6 billion was due to an uncontrollable increase in interest payments on the public debt.

Congress launched spending initiatives to increase social security benefits by \$2.8 billion (partially offset by increased social security taxes), establish black

lung benefits of about \$1 billion, and increase revenue sharing payments by \$1 billion. Most of the remaining "unconstrained" spending growth is a projection of what the social services grant program would have cost if Congress had not put a \$2.5 billion ceiling on it during the last session.

Thus, the potential \$15 billion increase in fiscal 1973 spending over the President's *original* budget proposals consisted of roughly \$6½ billion in presidential spending initiatives, \$1½ billion in uncontrollable spending increases, \$5 billion in Congressional spending initiatives, and \$2 billion in imaginary cost increases for the social service grant program.

Even these distinctions oversimplify the issues, however, because virtually all the spending initiatives were eventually supported by both Congress and the President. The President in fact emphasized his support of certain Congressional spending initiatives, such as social security increases, by publicly taking credit for them.

Moreover, these distinctions oversimplify the process by which government spending decisions are executed. The spending reform and budget ceiling proposed by the President are in terms of *outlays*. Congress, through its authorization and appropriation process, enacts *obligational authority*, it does not enact outlays. Obligational authority is not necessarily spent during the year in which it is made available and, of course, much spending authority is "open-ended." Since it is the Executive which actually makes outlays. Congress and the Executive must cooperate in order to enact spending authority which is consistent with the desired outlay ceiling.

These remarks should not be construed to mean that Congress does not have serious deficiencies with respect to evaluating and managing the budget. The Congress does not have an adequate mechanism to review the overall impact of the budget on the economy, to establish and monitor a spending ceiling, and to allocate the funds within that ceiling to priority areas. The Congress also lacks an adequate budget staff to perform these actions as well as evaluating the budget submitted by the President. But Congress is seriously at work on these problems, and Administration portrayals of Congress as a drunken sailor on a spending binge is inaccurate and counterproductive in an area where both branches are responsible for recent spending increases, and where improved spending control requires Executive and Congressional cooperation.

WHAT ARE REAL BUDGET SAVINGS?

The Administration claims that it has taken or proposed actions that will lead to budgetary savings of \$11 billion in FY 1973, \$17 billion in FY 1974, and \$22 billion in 1975. As evidence, the fiscal 1974 Budget contains an eight page list of actions labeled "Outlay Savings From Program Reductions and Terminations, 1973-75" (pp 49-57). Unfortunately, the budget does not contain any explanation of what constitutes a genuine or *real budget saving*.

We have emphasized the term *real budget saving* because it has no generally accepted definition and yet the term must be defined if any sense is to be made from the Administration's alleged savings. As with most questions of definition, there is room for disagreement and we would not insist that there is only one way to define real budget savings.

In one sense, a real budget saving could be defined as an action that leads to a reduction in the level of program outlays from one year to the next—

e.g., fiscal 1973 manpower outlays of \$500 million are reduced to \$400 million in fiscal 1974. In another sense, a real budget saving could be defined as an action that leads to a reduction in the rate of increase in program outlays, as mandated or committed by existing law, from one year to the next—e.g., fiscal 1973 medicaid outlays of \$500 million, which would have automatically grown to \$600 million in fiscal 1974, are reduced to \$550 million through some action; the rate of increase is reduced from 20 percent to 10 percent. Both of these seem reasonable interpretations of genuine budget savings and together they constitute what is regarded as a real budget saving to taxpayers for the purpose of this analysis. To the extent that the Administration has taken actions that achieve such ends they can correctly claim real budget savings.

Other manipulations or windfalls in budget and receipt totals however, are highly questionable as real budget savings resulting from Government action. Such bookkeeping arrangements as asset sales, the deferral or reprogramming of payments, a reduction in outlays based on a previous year action, and windfall receipts or outlaw decreases are examples, although the issues are in some cases complex. The deferral of spending may be for one day or several years and, if of a long enough duration, a deferral may become a termination or permanent reduction and therefore a real budget saving as defined in this study. Asset sales, which may be desirable for several reasons, represent an increase in government receipts in exchange for a government asset and do not usually change the net worth of the Government and achieve real budget savings. Adequately accounting for such items on the budget books, and the desirability of taking such actions for fiscal policy and other reasons, should not be confused with real budget savings and spending reform. It is inaccurate to say such items represent real savings to the taxpayer in the same sense as a reduction in the level or rate of growth of program outlays.

With these standards in mind, a substantial part of the Administration's claimed savings for fiscal 1973 are not real budget savings. It is not a real saving to shift \$1.5 billion of general revenue sharing payments a few days so that it is accounted for in fiscal 1974 rather than fiscal 1973; it is not a real saving to sell off \$1.5 billion in Federal credit and stockpile assets; it is not a real saving of \$242 million to have a windfall increase in receipts from the terminated European Fund: it is not a real saving of \$17 million to have maritime subsidy payments "automatically" reduced because there are not enough ships to subsidize. The list goes on and in total about \$8 billion of the \$11 billion the Administration claims to have saved in fiscal 1973 are in fact not real budget savings as much as they are budget cosmetics.

Much the same situation is revealed where the budget savings for fiscal 1974 are examined in detail. This is not possible from the budget documents themselves—a point worth noting—but can be done to a great extent from the information provided to the Joint Economic Committee by the Office of Management and Budget. Some of the fiscal 1974 cosmetic budget cuts are already well known, such as the \$2.7 billion social services grant "savings", but the full extent of such cosmetic budget cuts in fiscal 1974 is not well known. Table 1 represents a preliminary effort to identify the fiscal 1974 cosmetic budget cuts. As one can see, about \$8 billion of the \$17 billion claimed savings are not real budget savings at all.

TABLE 1.—*Cosmetic budget cuts, fiscal 1974*

<i>Item</i>	[In millions]*	<i>Amount</i>
Farm Price Supports (10) ¹ -----		\$600
Agriculture Extension Programs (17)-----		34
Reduce Military Personnel & Operations Costs (24)-----		1, 200
Reduce Defense Procurement Costs (25)-----		650
Limit Defense Research & Development (26)-----		200
Reduce Military Construction (27)-----		50
Slow Corps of Engineers Construction (30) ² -----		351
Strengthen Medicaid Management (32)-----		175
Limit Social Service Grants (45)-----		2, 700
Adjust Vocational Rehabilitation (46)-----		21
Reduce Department of Interior Construction (54)-----		10
Reschedule Bureau of Reclamation Projects (55) ³ -----		70
Constrain Federal Land Purchases (57)-----		61
Increase Oil Lease Sales (58)-----		1, 010
Review Prison Construction (60)-----		28
Reorient Community Relations Service (61)-----		4
Employment & Unemployment Insurance Services (64)-----		35
Postal Service Unemployment Benefit Costs (66)-----		26
Deferring Highway Projects (67)-----		83
Defer Coast Guard Construction (68)-----		14
Reschedule FAA Purchases (69)-----		35
Reorder High Speed Research & Development (71)-----		41
Refocus UMTA Research & Development (73)-----		26
Rephase Intermodal Transport Research & Development (74)-----		7
Delay Construction of Federal Law Center (78)-----		12
Reduce Plowshare Program (80)-----		3
Delay Space Shuttle (88)-----		45
Reduce Manned Space Flight (89)-----		47
Reduce NASA General Expenses (95)-----		24
Reform Veterans Benefits (96)-----		160
Reschedule Veterans Construction (97)-----		55
Postal Service Retirement Costs (100)-----		285
TVA Construction Activity (106)-----		30
Water Pollution Control Act Amendments of 1972 (84) ⁴ -----		300
Total -----		8, 392

*The numbers in parentheses match OMB's numerical coding on pages 49-57 of the Budget and in the material sent the Joint Economic Committee.

¹ A substantial part of the farm price support savings reflect unrealistic projections of the costs of these programs in view of the world grain shortage, the effect of that shortage on farm prices and income, and therefore the level of payments necessary to stabilize the farm sector. Although it is not possible to determine the exact amount of overestimation from the available data, we estimate that it is \$600 million.

² A substantial part of the Corps of Engineers saving reflects deferrals but some real reduction appears to be taking place. Our estimate of \$351 million represents the difference between the savings claimed by the Administration and the actual outlay reductions for the Corps for the Corps of Engineers between fiscal 1973 and 1974.

³ The estimate for the Bureau of Reclamation is arrived at in the same manner as the Corps of Engineers estimate.

⁴ A substantial part of the wastewater treatment facilities savings reflect unrealistic projections of the spending mandated by Congressional authorizations under the Water Pollution Control Act Amendments of 1972. Although it is not possible to determine the exact amount of overestimation from the available data, we estimate that it is \$300 million.

Source: The Joint Economic Committee staff based on information obtained from the Office of Management and Budget and the Budget of the United States—Fiscal 1974.

It should be noted that a significant portion of the remaining \$8.5 billion in real budget savings which we have not been able to identify because of a lack of data, will not be saved because new expenditures are substituted for those that are reduced or because proposed reductions will be withdrawn by the Administration. The substitution of an alternative means for meeting a public objective should not on its face be criticized because such shifts are the essence of adapting techniques to achieve priorities. The issue simply shifts from budget savings to the relative merits of the two alternatives, which in turn should be based on careful analysis of the programs and their alternatives. Budgetary savings are of course desirable only if they eliminate ineffective programs.

WHERE ARE THE ADMINISTRATION'S EVALUATIONS?

Determining which programs are to be cut to achieve spending reform is a complicated business because there are several criteria by which to judge the effectiveness of a program. In particular, program evaluation should consider:

(1) Whether the original goals of the program are still appropriate and, if not, how the program could be terminated without unduly disrupting the industry or groups affected.

(2) Whether the program does in fact achieve the goals laid down in the original legislation.

(3) Whether the total cost of the program is commensurate with the total benefits; more specifically, how many dollars of cost are necessary to obtain \$1 of net benefit.

(4) Whether there are better ways of achieving the original goals of the programs or of providing the same net benefits at lower costs.

(5) The distribution of income occasioned by the program by income class and how this relates to program objectives and social welfare.

(6) Whether a particular program is consistent with other programs and, if not, how better consistency can be obtained.

It should be emphasized that the reduction of inflation is not a valid economic criteria for eliminating an individual government program. The effect of government spending on inflation depends primarily upon the total level of such spending, the level of taxes, monetary policy, how these relate to the capacity of the economy, and the effectiveness of a price-wage control system. Once it is decided that the level of existing or projected government spending is too high, relative to these other factors, the necessary reduction in government spending should consist of the set of government programs that are lowest priority and most ineffective. Which particular programs should be included in that set should be determined by reference to the above criteria.

As one can see, there is a complicated array of standards by which a program's effectiveness can be judged. It should also be obvious that testing a program against a standard requires analytical and quantitative evidence. In other words, the charge that the Hill-Burton program is outmoded should be supported by data on the supply and distribution of hospital beds; the charge that housing programs do not benefit the poor should be supported with beneficiary data by income class; the charge that certain manpower programs are inefficient should be supported with cost-benefit comparisons. Although there are measurement problems, these can be substantially overcome through careful analysis.

The Administration would have Congress and the public believe they have done this kind of careful analysis. In a March 27, 1973 New York Times Article entitled "Congress As The Crisis" Mr. Caspar Weinberger said:

"President Nixon's second step was to order the most exhaustive evaluation of Federal programs ever undertaken. Those in the Office of Management and Budget who conducted the evaluation used only one criterion: Does the program work?"

"Of the more than 1,000 Federal grants programs reviewed, 115 were found to be riddled with waste and inefficiency. There is no money for such programs in President Nixon's 1974 Budget."

In an effort to determine whether the Administration had thoroughly evaluated the programs it cut, several members of the Joint Economic Committee asked the Office of Management and Budget for the analytical evaluations during the Committee's annual hearings on the budget. In the Joint Economic Committee hearing of February 8, 1973, Senator Humphrey, addressing Mr. Roy Ash, stated: "I am hereby asking for the Joint Economic Committee that you provide for this Committee a full detailed explanation, justification of cost-benefit impact, cost-benefit relationship of every single cut that you made in every program in the 1973 fiscal operation and projected 1974." In the same hearing, Senator Proxmire made a similar request for the analytical rationale behind the cuts the Administration made or proposed. (See Appendix A). In response to these requests, on March 19, 1973 the Office of Management and Budget sent the Committee a 179 page loose leaf binder of their formal justifications for cutting 108 programs labeled as "riddled with waste and inefficiency."

It is difficult to describe the material Mr. Ash has sent the Committee to support the President's budget cuts. They are not studies or evaluations of programs at all. They are primarily undocumented assertions, descriptions of programs, explanations of actions taken, and a great deal of extraneous material. The material

does not indicate the President and his advisors have carefully studied these matters. The material gives Congress no reason to have confidence in the President's spending reform proposals and budget priority decisions.

Seventy-four percent of these "detailed analyses" are less than one page long. The explanation of the inventory and working capital reduction in the Atomic Energy Commission is less than four typed lines; several of the explanations are less than 10 typed lines. Ninety-eight of these analyses are less than two pages long. In this entire 179 page document, only two programs had an analysis which exceeded two pages.

Most of these explanations are divided into two parts: "background" and "action," and there is no section devoted to the reason or basis for the cut—the information which was requested. Much of the information provided is slightly interesting but totally extraneous. For example, changing Medicare cost controls are rationalized as follows: "During Phase II, the inflation of medical care prices was reduced to about half the rate of increase before the Economic Stabilization Program. Nevertheless, strong inflationary pressures continue to exist in the health sector, particularly in hospital costs." These are not sentences lifted out of context; they are the complete explanation. In another place we are told that the Department of Justice Community Relations Service will save \$4 million in fiscal 1974 while it intends to spend \$2.4 million reducing racial tension and to expand crisis resolution and State liaison activities by 41 percent. One wonders whether Justice intends to find 41 percent more new crises to resolve, or just to resolve the old crises 41 percent better. When one finds a clearly stated reason for cutting a program they often read like this "indictment" of the Open Space Land Program: "Benefits accrue primarily to residents served by the parks."

When reasons for the cuts are given, they do not represent any clearly stated and applied criteria for judging a program's effectiveness. In the case of the Economic Development Program in the Commerce Department, for example, the program is cut because the funds are so widely dispersed that, "while they may have been helpful in individual cases, they have done little to overcome the problems of any community." In the case of Community Mental Health Centers, on the other hand, we are told the program is cut because funds are too highly concentrated and therefore "inequitable to the Nation as a whole because relatively few communities receive Federal funds." The most common criteria by far, however, take the form of Administration assertions. We are told that the Administration opposes certain education programs because they are "inconsistent with Administration policy." In other cases it is simply asserted that the program is bad or that it "is not an appropriate Federal role."

Having made some general observations about the Administration's budget cut justifications, let us now turn to what they look like in some particular program areas for fiscal 1974.

DEFENSE

The most incredible case of cosmetic budget cuts is national defense, which in fact increases by \$4.7 billion. The Administration's claim that there are budget savings of \$2.7 billion is to a considerable extent fabricated. This can be seen from the 7 pages of "justification" OMB provided to the Committee.

A personnel and operations saving of \$1.2 billion is claimed, for example, with two sentences: "Reduced proposed activity rates for real property maintenance, material depot maintenance, operating force support and supply operations . . . Reducing military and civilian end strengths 106,000 from proposed levels for 1974." The key word here is *proposed* as it means a budget saving is claimed because the Secretary of Defense cut the in-house wish list for the military departments. Elsewhere in the budget it is revealed that fiscal 1974 personnel and operations costs rise approximately \$122 million.

Procurement, research and development savings of \$850 million are claimed with the justification: "These reductions have the effect, in some cases, of slowing down the pace of development and, in other cases, of deferring program initiation." Actually, procurement, research and development increase by approximately \$1.4 billion.

HEALTH

Although the Administration may have proposed some necessary spending reforms in the health area, there is no way that this can be determined from the information provided by OMB. We are told, for example, that \$75 million can be saved by terminating Medicaid adult dental care because: "Lack of dental care

is seldom life-threatening and is less critical for adults." No evidence is provided to support a contention that seems highly questionable when applied to adults with the social, economic, and dental histories of Medicaid recipients. In addition, in the face of the 17,000 deaths each year as a result of oral cancer, is it accurate to state that lack of dental care is seldom life-threatening?

Among the assertions given for the phase out of the Community Mental Health Centers is that: "Less than 25 percent of the population are in catchment areas served by these centers which place little emphasis on the medically disadvantaged." Statistics from the Department of Health, Education and Welfare, however, show that in 1970, 42 percent of the persons admitted to these centers had family incomes below \$3,000 and 64 percent had family incomes below \$5,000. How poor do people have to be to be classified as disadvantaged?

TRANSPORTATION

Transportation is the best example of an area where claims for budget savings are cosmetic shifts in the timing of Federal payments. In the case of the highway program, for example, the Administration claims budget savings of \$83 million as Federal payout requirements are reduced because the "Highway Act of 1972 was not enacted by the Congress." In another case, the FAA is said to save \$35 million because "unanticipated program delays have resulted in some slippage in the FAA accelerated commissioning program." In all, only \$37 of the \$263 million in savings claimed in the transportation area can be considered real budget savings.

MANPOWER

The savings in the manpower area are for the most part real—program outlays for public employment and training decline by about \$1 billion. There is no analysis or evidence provided by OMB to support these cuts, however.

The reason given for a reduction in manpower training programs is that: "The many evaluations of manpower projects and programs have not demonstrated that they have been effective as presently operated." While that is true for some manpower training programs, it is not so for all and the composition of the cuts made by the Administration does not stand up to hard scrutiny. Those programs which had the highest benefit-cost ratios are being cut back most sharply. The Subcommittee on Fiscal Policy of the Joint Economic Committee recently examined the five largest training programs. The staff study concluded that MDTA on-the-job training and institutional training have very high social rates of return. This is especially true of on-the-job training.

The other program which has demonstrated relatively high benefits in relation to cost is the Neighborhood Youth Corps out-of-school program. Studies have shown that this program had positive rates of return, especially for high school dropouts. The cuts in the most effective programs for training are in contrast to the sharp expansion of the Work Incentive Program (WIN) by 37 percent. Studies of WIN have shown that the placement rates of those completing the program are only 20-30 percent, compared with 70-80 percent for MDTA training.

In a similar fashion, the public employment program is terminated with the unsupported statement that: "The remaining unemployed are in the need of assistance that this program cannot provide." Although we don't know what is meant by the statement that this program cannot aid the remaining unemployed, we do know that 27 percent of the beneficiaries are veterans, that 38 percent are disadvantaged, that 36 percent are from minorities, and that 56 percent of the beneficiaries had been unemployed 15 weeks or more before entering the program. In addition, some portion of the public employment program savings appears to be cosmetic because it takes credit for reductions that would have occurred automatically as unemployment approached the 4.5 percent cut-off associated with this program.

CRIME AND LAW ENFORCEMENT

Savings in the crime and law enforcement area again provide an example of timing shifts in Federal expenditures because of unavoidable delays or intentional deferrals. A saving of \$12 million is claimed by the Treasury Department, for example, because further construction of the Federal Law Enforcement Training Center is "being delayed pending final resolution of sewage treatment problems." The Bureau of Prisons claims savings of \$28 million because "construction

of two Metropolitan Correctional Centers is being deferred, and an arrangement is being sought with the State of California in place of constructing a Youth Facility in Ventura County."

HOUSING AND URBAN DEVELOPMENT

Real savings of \$305 million are achieved by suspending housing subsidy programs but there is no analysis of why the programs were cut and what impact this section will have on housing supply. It is asserted that the housing subsidy programs have provided inordinate financial gains for intermediaries, placed some families in houses they could not maintain and inflated the cost of housing. This is true and the reasons for it, according to recent General Accounting Office studies, is that the Department of Housing and Urban Development (1) did not properly inspect homes, (2) did not provide adequate counselling to low-income home-buyers, and other aspects of program mismanagement.

We even have an assertion based on an assertion. The Urban Renewal program is condemned with quotes from an old speech by the former HUD Secretary, George Romney. According to Romney, the program is ineffective because: "These categorical programs are no longer adequately responsive to the crisis of our central cities. We have poured billions into these programs with little result. To continue would mean throwing more billions of the taxpayers' money away. Larger infusions of money have not served to solve the problems. Something else is needed." Maybe something else is needed, but let's base the decisions on some careful studies and not old speeches.

POVERTY AND WELFARE

The Administration projections of saving \$592 million through administrative reforms of the welfare system is an example of real savings so naively conceived they may never come to pass. The projected savings would be the result of a proposed Federal regulation which has not yet been adopted and whose legality is questionable. The proposed regulation would eliminate all Federal financial participation for all payments to ineligible cases and all overpayments under the Federally-assisted public assistance program. The application of a zero tolerance level to public assistance programs is itself a questionable concept, and thirty-four states have threatened a legal suit contesting the proposed measure.

The budget savings claimed from terminating the Community Action Programs are real but the reasons given by OMB are, alternatively, too much success and too much failure. Since the Community Action program has "demonstrated the value of participation in service development programs by the people being served, . . . The continued existence of this program as a direct Federal responsibility is no longer necessary. On the other hand, the program should be terminated because: "There is no conclusive evidence that the Community Action program has moved significant numbers of people out of poverty on a self-sustaining basis."

As indicated earlier, this analysis is meant to be a preliminary to a more detailed review by the general Accounting Office and public hearings. Still, this preliminary analysis would seem to indicate that the information provided to the Committee as formal justification for the budget cuts is of such low quality that Congress cannot rely upon it in formulating spending reform and setting national priorities. Moreover, the quality of the Administration's back-up support for its spending reform proposals is so weak that it may be that spending reform is not being advanced as a serious economic policy.

In conclusion it should be emphasized that criticism of the Administration's inept formulation of a spending reform package does not diminish the need for the elimination and restructuring of ineffective government spending programs. In fact, several of the programs the Administration has on its reform list merit careful review. It is now time for the Congress to take the leadership for spending reform.

APPENDIX A

The following statements are the specific requests made by Senators Humphrey and Proxmire during the testimony of Mr. Roy Ash before the Joint Economic Committee on February 8, 1973.

Senator HUMPHREY. I happen to believe that you have not provided the information and I am hereby asking for the Joint Economic Committee that you provide for this Committee a full detailed explanation, justification of cost-

benefit impact, cost-benefit relationship of every single cut that you have made in every program in the 1973 fiscal operation and projected 1974. That is an official request from a member of this Committee and the law requires that you fulfill.

Mr. ASH. As the law requires we now receive that request and will respond to it.

Senator HUMPHREY. As promptly as possible.

Mr. ASH. We certainly will.

Senator PROXMIRE. Senator Humphrey asked for something I was going to ask for, specific cost-benefit studies which are required by law. I am asking for the details, not just the numbers—the details.

Chairman HUMPHREY. We can also put the spotlight on these matters by inviting private witnesses to analyze the administration's spending reform proposals and overall budget priorities.

Today we are fortunate to have one of the leading mayors of this country, Mayor Henry Maier of Milwaukee, to do this. Mayor Maier is also chairman of the National Coalition for Human Needs and Budget Priorities.

And I believe I am correct, Mr. Mayor, that you were the president of the National League of Cities or the U.S. Conference of Mayors.

Mayor MAIER. Both.

Chairman HUMPHREY. He has served with distinction in his city. And I believe he is more than capable of telling us some of the effects of the budget cuts upon the economy.

So there can be no mistake, there is a need for prudence and careful analysis and evaluation on all budget items. And we are prepared to exercise that.

But I don't believe, Mr. Mayor, that the way that we get the truth is by a carefully synchronized, homogenized program of publicity and propaganda, going out in a 145-page kit from the White House communications center.

Now, my colleague wishes to make some comment.

Representative CONABLE. Thank you, Mr. Chairman.

Let me say, first, of all, that I appreciate your extending me the courtesy of this forum. I am a member of the Joint Economic Committee, but not of this particular subcommittee.

Unfortunately, none of the Republican members of this subcommittee could be present this morning, because of other committee obligations.

I want to compliment you on your effective opening statement, and to comment in passing that in public relations wars you yourself are no amateur. And I am confident that no battles will be won by default between the White House and you.

Chairman HUMPHREY. I thank you.

Representative CONABLE. Since you, Mr. Chairman, and Mr. Ash had substantial correspondence about Mr. Ash's possible appearance this morning in which he set out in his own words the reasons for his ultimate decision not to attend, I would like to request that this correspondence be made a part of the record at this point.

And let me say that I greatly appreciate your willingness to receive this information.

Chairman HUMPHREY. If I am correct, now, does that include the original exchange of letters plus the subsequent—I think there were two exchanges?

Representative CONABLE. Yes.

Chairman HUMPHREY. I am very grateful to Congressman Conable for coming here today; it is a courtesy on his part. And the correspondence should be incorporated, and I would have asked for it but I am pleased that the Congressman has done so.

And it will appear, might I say, at this point in the record at your request.

[The correspondence follows:]

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
Washington, D.C., March 27, 1973.

Hon. ROY ASH,
*Director, Office of Management and Budget,
Executive Office Building,
Washington, D.C.*

DEAR MR. ASH: Your response to my request for the Administration's analytical support for the budget cuts contained on pages 50 to 57 of the Fiscal 1974 Budget has been received. As you know, I requested such material at the Joint Economic Committee's annual hearings on the President's Economic Report and the Budget. I want to thank you for the material that was sent.

As Chairman of the Subcommittee on Consumer Economics, however, I am concerned about the wisdom of some of these budget cuts and the adequacy of the information you have sent to explain why they were made. Many of the budget cuts appear to have a significant effect on the ability of consumers to obtain housing, food and medical care, as well as their ability to hold the jobs necessary to earn an income adequate to purchase these basic essentials. I therefore request that you appear before the Consumer Economics Subcommittee on April 10 to discuss the rationale and impact of the budget cuts pertaining to community development and housing, health, agriculture, and manpower.

If this date conflicts with your schedule, please supply the Subcommittee with some alternative dates. Once we have settled on a date further details on the hearings will be provided. If you have any questions about the hearings, please direct them to Mr. Jerry Jasinowski of the Committee staff.

Thank you for your cooperation.

Sincerely,

HUBERT H. HUMPHREY,
Chairman, Subcommittee on Consumer Economics.

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF MANAGEMENT AND BUDGET,
Washington, D.C., April 5, 1973.

Hon. HUBERT H. HUMPHREY,
*Chairman, Subcommittee on Consumer Economics, Joint Economic Committee,
U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: Your letter of March 27, 1973 requested that I appear before the Consumer Economics Subcommittee of the Joint Economic Committee on April 10 to discuss the rationale and impact of the budget reductions and terminations that were part of the fiscal year 1974 budget.

You were gracious in suggesting that if April 10 has already been preempted, an alternative date could be arranged. Prior commitments do make it necessary that I suggest another date—specifically, April 17. Mr. Harold Eberle of my staff has tentatively agreed with your staff about hearings on this date.

I think it appropriate for my testimony before the Subcommittee to deal with the overall fiscal outlook and the urgent need for spending restraint in that context. Questions concerning the rationale and impact of specific reductions and terminations should be addressed to the Cabinet officers or agency heads responsible for the programs that are affected, just as questions pertaining to specific appropriations requests are properly addressed to the cognizant Cabinet officers or agency heads.

Sincerely,

ROY L. ASH,
Director.

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
Washington, D.C., April 12, 1973.

Hon. ROY L. ASH,
Director, Office of Management and Budget, Executive Office Building, Washington, D.C.

DEAR MR. ASH: On behalf of the Subcommittee on Consumer Economics, I am pleased that you have accepted our invitation to testify at hearings on consumer-related budget cuts. The hearing at which you will testify will begin at 10:00 a.m. on April 17 in Room 318 Russell Senate Office Building.

As you know, the purpose of the hearings will be to assess the rationale and impact of fiscal 1974 budget cuts, particularly as they directly affect consumers in the areas of community development and housing, health, agriculture, and manpower. In reference to your April 5 letter, let me reiterate that the Subcommittee will expect you to discuss and answer questions on the material you sent me to explain the reasons for the budget cuts contained on pages 50 to 67 of the budget. Your offer to testify on the "overall fiscal outlook" is not germane to our efforts to determine what real evidence there is to support the President's budget cuts. You are directly responsible for the material sent to the Committee and for program evaluation in general. As you said in response to a question from Congressman Widnall at our Annual Hearings: "That is one of the responsibilities imposed by the President upon the Office of Management and Budget, and we would expect to keep all programs under careful scrutiny."

It will be helpful if you will confine your opening oral statement to no more than 15 minutes so that substantial time will be available for the question and discussion period. You are invited to file a longer, more comprehensive statement, together with any appropriate exhibits, for inclusion in the printed record of the hearings.

The Subcommittee would like you to supply 100 copies of your statement by noon Monday, April 16th. Please send them to Mike Runde, Administrative Assistant, Joint Economic Committee, Room G-133, Dirksen Senate Office Building, Washington, D.C. 20510. If you have any questions concerning your appearance, please contact Jerry Jasinowski of the Committee staff.

On behalf of the Subcommittee, I would like to express our gratitude for your cooperation and willingness to meet with us.

Sincerely,

HUBERT H. HUMPHREY,
Chairman, Subcommittee on Consumer Economics.

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF MANAGEMENT AND BUDGET,
Washington, D.C., April 13, 1973.

Hon. HUBERT H. HUMPHREY,
Chairman, Subcommittee on Consumer Economics, Joint Economic Committee, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Your letter received later yesterday regarding my acceptance of your invitation to appear before your Subcommittee reiterates the terms of your original invitation. Apparently you do not feel that it would be helpful for me to testify on the overall fiscal outlook and the urgent need for spending restraint in that context, as I suggested to you on April 5.

I certainly agree with your observation that, as OMB Director, I am responsible "for program evaluation in general." The terms of my acceptance were premised upon that responsibility. I am not, however, the primary source of detailed information as to the rationale of specific program reductions and terminations. As I pointed out in my letter of April 5, the relevant agency heads or their designees are the appropriate officials to provide the type of information your press release of April 13 makes it plain you are seeking.

The documentation I previously sent you was of, course, summary in nature, consistent with the role of OMB in the budgetary process. It did not include the far more extensive data possessed by the agencies having jurisdiction over the various programs, nor did it take into account the judgmental factors exercised by the President following many exhaustive sessions devoted to weighing the alternatives. One would have hoped, therefore, that you would have availed yourself of the additional information which can be provided by the appropriate agen-

cies before characterizing the material I furnished you in a disparaging way, prior to my expected appearance before your Subcommittee.

I regret that you consider the testimony I would be able to provide your Subcommittee on matters affecting budget totals "not germane" to your efforts.

OMB too has a vital interest in protecting the economic well-being of 200 million American consumers. I regrettably must conclude, however, that it would be inappropriate for me to appear before your Subcommittee on April 17. I look forward to the time when your Subcommittee engages in future hearings of a scope within which my testimony will in fact be germane.

Sincerely yours,

ROY L. ASH,
Director.

Chairman HUMPHREY. And if you don't mind, Congressman, if there are any other communications that were not included, I will request that the staff look those up and check with you before they are put in?

Representative CONABLE. My only purpose in presenting this correspondence between the two of you, and to be sure that it appears in the record, is to demonstrate that Mr. Ash has not ignored your requests, but has considered them seriously and come to the conclusion that his presence would not be relevant for whatever reason expressed.

Chairman HUMPHREY. Thank you very much, Congressman.

Mayor Maier, we look forward hearing from you.

Would you mind also presenting any of your associates that are with you.

Mayor MAIER. This is Admiral LaRocque, who was sanctioned to appear here this morning, and whom I am very happy to have with me, because he is an expert on the military budget and he can deal with any questions appropriate that relate to that.

And then I have a member of my staff whom I am sure is familiar to both of you gentlemen, Mr. McLaughlin, lately of these parts, who, I am happy to say, has joined me in Milwaukee.

Chairman HUMPHREY. Mr. Mayor, the other witness we had hoped to have this morning was Mr. Robert Dorfman, Professor of Economics, Harvard University, and as I indicated, his brother passed away and, of course, he could not be with us. However, he has expressed his desire and his willingness to help us and to appear on another occasion.

Proceed, Mayor Maier.

STATEMENT OF HON. HENRY MAIER, MAYOR OF MILWAUKEE, WIS., ACCOMPANIED BY GENE LaROCQUE, DIRECTOR, CENTER FOR DEFENSE INFORMATION; AND PATRICK McLAUGHLIN

Mayor MAIER. First of all, Mr. Chairman, I want to thank you not only for this hearing, but for the resolution which you have offered which opened up this whole issue of the reordering of national priorities.

I think it is long overdue that we finally joined the issue. And I can't think of a better voice in America to open up the issue than the chairman's committee.

Chairman HUMPHREY. You are referring to Senate Joint Resolution 14, I believe it is, relating to national priorities?

Mayor MAIER. That's correct, sir.

Chairman HUMPHREY. If you do not mind, Mr. Mayor, at this point in the record, since you made reference to it, I will incorporate a copy of the statement, along with the resolution that pertains thereto.

Mayor MAIER. Fine.

[The text of the statement and resolution follow:]

[From the Congressional Record, Mar. 6, 1973]

SENATE CONCURRENT RESOLUTION 14—SUBMISSION OF A CONCURRENT RESOLUTION
RELATING TO NATIONAL PRIORITIES

(Referred to the Committee on Government Operations)

Mr. HUMPHREY. Mr. President, I am introducing today a resolution on national priorities that I believe will help prevent an era of retrenchment and retreat on the pressing domestic problems in our country.

This resolution would call for a fiscally responsible Federal budget for fiscal 1974 while at the same time placing the Congress clearly on record for reduced military expenditures and a reformed tax system. It would provide a means for meeting our domestic needs in public employment, health care, urban rehabilitation, rural economic development, housing, education, and pollution control.

Mr. President, this resolution squarely challenges the assumption that, in a time of peace, the United States must have a bigger and higher military budget. It certainly is an ominous sign that at the time when the energies so long postponed by the Vietnam war should be turned to the problems at home, the fiscal year 1974 budget ushers in an era of domestic retreat.

We saw the same thing happen after the Korean war in the 1950's. We should have moved ahead then—on our domestic problems. We did not, and in part, the problems of the 1960's resulted from the indifference of the 1950's.

We simply cannot allow that to happen in the 1970's.

Under my resolution, we can take the first step toward meeting the responsibilities of the 1970's.

This resolution expresses the sense of Congress that \$5 to \$7 billion can be pared from the military budget in such areas as weapons procurement, weapons research and development, and by economizing in foreign assistance and space programs, and that through the elimination of unwarranted tax preferences in the internal revenue code another \$5 to \$7 billion in revenues can be produced.

We can use these funds to promote full employment, quality education and health care, environmental protection, safe and improved living conditions in urban and rural areas, and equal opportunity for all Americans.

We can do these things while at the same time providing, through a fiscally responsible Federal budget, for the promotion of national security, stable prices, and tax justice. We can place the additional dollars realized through the paring of nonessential defense expenditures and the elimination of unwarranted tax preferences, into programs to meet vital domestic human needs.

In short, through a rearrangement of priorities, we can fund some of the programs that the Nixon administration refuses to fund.

And, we can do so without increasing the Federal deficit.

Mr. President, I am asking for nothing more than that the Congress apply the same standards toward defense, space, military assistance, and tax subsidy budgets that the President has applied to domestic programs.

We have streets that need repair. We have critical air and water pollution problems to solve. We have poverty and racial injustice to overcome. We have massive housing and transportation problems. We have serious health needs and educational needs.

These are the priorities before us. These are the challenges of our time. And we must seize the opportunity now to target Federal funds effectively in serving these vital national interests. That is the purpose of my national priorities resolution.

I ask unanimous consent that a copy of my resolution be printed at this point in the Record.

There being no objection, the concurrent resolution was ordered to be printed in the Record, as follows:

Resolved by the Senate (the House of Representatives concurring), Expressing the sense of Congress that certain economizing and tax reform measures shall be taken to assure through a fiscally responsible Federal Budget for Fiscal 1974 effective action to promote national security, stable prices, tax justice, full employment, quality education and health care, environmental protection, safe and improved living conditions in urban and rural areas, and equal opportunity for all Americans.

Whereas the Constitution of the United States places the power of the purse in the Congress of the United States and requires the President to "take care that the laws be faithfully executed," and

Whereas it is in the national interest that the Legislative and Executive Branches work in harmony to promote prosperity and opportunity for the American people, and

Whereas the priorities, revenue policies and spending decisions of Federal Government play a critical role in assuring the health of the economy, equal opportunities for all citizens, a secure national defense, and a high quality of public services, and

Whereas control of inflation requires fiscal responsibility, the avoidance of unjustified deficit spending and the most prudent use of taxpayers' dollars, and

Whereas the Federal Budget for Fiscal 1974 and future budget projections call for the expansion of military programs but the elimination or drastic reduction of some \$14 billion in domestic programs annually notwithstanding the cessation of hostilities in Vietnam, and

Whereas it is estimated that the Administration's budget requests for military, foreign assistance and space budgets can be reduced by between \$5 to \$7 billion without danger to our national security and without jeopardizing our international commitments, and

Whereas it is recognized by Treasury Department officials, the appropriate Committees of Congress and recognized experts that minimal, long overdue tax reform can produce \$5 to \$7 billion in new revenues and without increasing the tax burden of the average taxpayer, and

Whereas unilateral elimination or reduction by the Executive of federal domestic programs, contrary to law, without thorough evaluation of those programs by the Legislative Branch neither serves the national interest nor complies with the spirit or letter of the Constitution: Now, therefore, be it

Resolved by the Senate (the House of Representatives concurring), That it is the sense of Congress that (1) equally rigorous economies shall be applied by Congressional review to military, foreign assistance, space programs, and unwarranted tax preferences.

(2) Congress shall set as a target for action by the relevant committees with respect to the proposed Federal Budget for Fiscal 1974.

(a) the realization of savings of \$5 to \$7 billion by paring unneeded weapons procurement, weapons research and weapons development, by reducing excessive forces in the military, and by economizing in foreign assistance and space programs, and (b) the elimination of unwarranted tax preferences in the Internal Revenue Code, to produce additional revenues of \$5 to \$7 billion.

(3) These budgetary resources—all within a fiscally responsible and non-inflationary budget ceiling as developed by the Congress—shall be redirected to promote full employment, quality education and health care for citizens, environmental protection, safe and improved living conditions in urban and rural areas, and equal opportunities for all Americans, with particular but not exclusive emphasis given to providing for health care and national insurance coverage of health care costs for all Americans, expanded public service job opportunities, improvements in public assistance and social services programs, increased federal assistance for housing, education, and the rehabilitation of urban areas, adequate law enforcement, the promotion of rural economic development, and new programs designed to improve the living conditions of American working families.

MAYOR MATER. I appear before you today as the Chairman of the National Coalition for Human Needs and Budget Priorities.

The title of the organization pretty well sums up the situation we find ourselves in. The President's budget not only ignores our human needs, it distorts our national priorities.

Now that we have had an opportunity to examine the information your committee obtained from Office of Management and Budget Director Ash, which was used to support the President's budget decisions, we are not only shocked by the President's budget, we are deeply alarmed by it.

The President's budget is an irresponsible document.

It is not only cruel and callous—it is capricious. It suffers not only from a lack of compassion, but a lack of comprehension.

On the basis of the data supplied your committee, it is not surprising that our national priorities were perverted—there obviously was no attempt to set priorities.

The claims of budget savings are in many instances completely fabricated. The claim that 115 Federal programs were found to be "riddled with waste and inefficiency" is completely unsupported, except where the waste and inefficiency happened to be the responsibility of the administration itself.

Throughout we find a thread of double-entry doubletalk.

The arguments used to justify the elimination of one program are reversed in order to sustain the sacrifice of another. Some programs are damned for both success and failure.

In the case of the economic development program, a program my city was relying on heavily to aid us in our bootstrap efforts to retain jobs and industry through innovative programs, such as our land bank program, cuts were made because—

The funds are so widely dispersed that, while they may have been helpful in individual cases, they have done little to overcome the problems of any community.

Chairman HUMPHREY. Mr. Mayor, that is the justification that the OMB gave.

Mayor MAIER. That's correct, sir.

And I am referring to it in this instance. In the case of the community health centers, on the other hand, the program is cut because funds are too highly concentrated and, therefore, "inequitable to the Nation as a whole, because relatively few communities receive Federal funds."

Do you get the impression the decisions were made on the toss of a coin—and it was "heads you lose—tails you lose"?

Or consider this stinging indictment of the open space land program: "Benefits accrue primarily to residents served by the parks."

In some cases the unimaginative budget slashers ran out of excuses and stated limply: "They are inconsistent with administration policy." Never stating, of course, what that policy is.

Or consider the plight of the poor budget borgia who scratched his head and stated brightly: "It is not an appropriate Federal role."

Mental health centers are phased out because they "place little emphasis on the medically disadvantaged." HEW figures disclose that 42 percent of the persons admitted had family incomes below \$3,000, and 64 percent below \$5,000. There probably aren't any such families in San Clemente, but in Milwaukee such families would be considered poor.

Manpower programs are reduced because "they have not been effective." While this is true of some programs, the programs cut back most sharply by the administration are those which Labor Depart-

ment figures demonstrate have the best record of success—the on-the-job training and neighborhood youth corps programs.

Public employment programs are terminated with the irrational statement: "The remaining unemployed are in need of assistance that this program cannot provide." And when those who are in the program—27 percent of whom are veterans, 38 percent disadvantaged, 36 percent minorities and 56 percent of whom had been unemployed for more than 15 weeks before entering the program—are dropped into the welfare roles they too will be in need of assistance "this program cannot provide."

Housing subsidies programs are eliminated because,

They have provided inordinate financial gains for intermediaries placed some families in houses they could not afford, and inflated the cost of housing.

What this means is that the Department of Housing and Urban Renewal (1) did not conduct proper inspections, (2) did not provide proper counseling for low income families, and (3) generally mis-managed the program.

When a football team consistently loses because of mismanagement, the fans roar "fire the coach." In this case the management responded by closing the stadium, canceling the balance of the season, and refusing to refund the tickets.

Chairman HUMPHREY. I appreciate this analogy to this administration which is so sports-conscious, with cottage cheese, root beer, and all.

Mayor MAIER. Another example of the administration's double-entry doubletalk: They tell us substantial savings are made in the budget in domestic spending programs. At the same time, they say the cities, rural areas, schools, the sick, the poor, the elderly haven't been hurt. It reminds me of the fight manager who told his fighter between rounds: "he hasn't laid a glove on you." The fighter snarled back: "Then you better keep an eye on that referee. Somebody's been clobbering the hell out of me."

On the one hand, they claim savings in domestic programs and on the other claims that expenditures for human needs have increased. They forget to add that the claimed increase is accounted for by the increase of 20 percent in social security payments which the President opposed.

But, gentlemen, the result of all this budget deception in just Milwaukee alone—and it would be much worse in New York, Detroit, Philadelphia, Newark, or any of a number of other cities, is as follows:

In the area of health services, we would lose more than \$700,000.
In antipollution and other funds to improve the environment, we would lose more than \$20 million.

In funds for job training, we would lose almost \$5 million.

In funds for economic development, we would lose more than \$400,000.

In funds for housing and renewal, we would lose almost \$49 million.

Add them all up and the sum is about \$75 million.

Plus \$15 million more for school aid and about \$6 million more for poverty.

So it is a total of about \$96 million for the city overall and its various units.

Soon after the President's budget was announced on February 18, I went on a local television station and documented how we would suffer from these cuts.

Next Sunday, former Governor Erbe, now head of the Federal Regional Council in Chicago, is coming on the same station to reply to me.

First, I think it is interesting that it has taken them 2 months to work up a reply to my statement. But also I predict that when Governor Erbe extracts it from his kit and goes on television next Sunday, he will engage in the same shell game, the same sleight of hand we have been witnessing ever since the budget was first prepared.

If we say we are losing money for summer youth programs, they may take it out of public employment funds; if rat control and lead poison control programs are being phased out, they will undoubtedly suggest taking it out of some other program.

But after all of their shell games, all of their sleight of hand, we will still end up \$75 million short in Milwaukee.

But whereas the cuts in programs to assist the urban and rural poor are all too real, the claimed savings in the Pentagon are patently false.

A personnel and operations savings of \$1.2 billion is claimed for "reducing military and civilian end strengths by 106,000 from the proposed levels for 1974."

The supposed savings is made by reducing the military chiefs purposely exaggerated "wish list."

Savings of \$850 million in procurement, research and development are claimed, whereas expenditures actually increase by \$1.4 billion.

In fact, the startling distortion in our national priorities is revealed by the fact that while city programs are slashed by \$1.5 billion, rural programs by another \$1.5 billion and programs for the poor, the elderly, the untrained, the sick, and the handicapped by \$7 billion, the Pentagon budget is increased by \$4.7 billion for the second largest in a peacetime year.

After the last two U.S. wars, defense appropriations declined dramatically. Now that the Vietnam peace agreement has been signed and all troops withdrawn from Vietnam, the fiscal year 1974 defense budget should similarly begin to decline.

The greatest appropriations for World War II came in fiscal year 1942 when a total of \$99.5 billion was appropriated. The low point after the war came in fiscal year 1948. That year only \$10 billion was appropriated. The decline in the defense budget totaled \$89.5 billion over 6 years, with the greatest single drop of \$36.5 billion coming in fiscal year 1945.

More relevant is the United States last limited war. Korean war appropriations reached a level of \$67.7 billion. The following year, the appropriations declined by \$14.1 billion, and continued to decrease in the 2 subsequent years. By fiscal year 1955, defense appropriations had shrunk to \$30.9 billion, for a 3-year decline of \$36.8 billion.

The Nixon administration is refusing to follow the Korean war precedent set under General Eisenhower or the earlier decline. Instead of a smaller defense budget, the new budget authority for fiscal year 1974 will rise from fiscal year 1973 by \$5.5 billion to \$85.2 billion, de-

spite the end of the Vietnam war. What is more, DOD budget authority is projected to rise again next year to about \$90 billion.

The Nixon administration should be pressed to match the defense budget declines after previous U.S. wars, and particularly the record of the Eisenhower administration after the last major U.S. limited war.

We are not taking issue with the President's expressed desire to avoid inflation and a tax increase.

We expect Congress to act in a fiscally responsible way, although we now know that the President's budget is irresponsible. We don't think the President's budget will avoid a tax increase. It will shift the load to the local property taxpayers, who are the most overburdened taxpayers in the United States.

This is a more regressive tax burden than funding these programs through the Federal progressive tax on income.

Domestic programs can be financed not only at the levels which prevailed before the President's slashes, but at levels they should be if we are to meet our unmet needs, by judicious and moderate reductions in the Pentagon budget, and this our appeal.

Although I make no claims to being a military expert, Paul Warnke, former Assistant Secretary of Defense, and vice chairman of our coalition advises me that savings as high as \$10 billion can be made in the Pentagon budget even without eliminating some of the weapons systems which many military experts question.

It is significant, I think, that if you exclude all Southeast Asia costs from the budget, it increases by \$7 billion which coincidentally, is the amount of reduction in the Pentagon budget called for in the Humphrey resolution.

Although we have moved from an era of confrontation to one of negotiation, and although there is growing recognition of the limited role that military power can play in the 1970's, we are still throwing today's money at yesterday's military programs.

If we were to reduce our military manpower from 2.3 million to 2 million, which is still a sizable force to maintain in peacetime, we could make savings of \$3.3 billion in direct and indirect costs.

The Pentagon civilian payroll stands at 1,080,782, the largest in our Government, totaling more than the Postal Service, the Veterans' Administration, the Treasury Department, and HEW.

Even the President has said, "In terms of the masses of civilian employees getting in the way of each other over at the Pentagon, they are going to have to take a thinning down." But they haven't been thinned down. The Pentagon, in another of its sleight-of-hands, reduced the Pentagon civilian force by 30,000, and then converted 31,000 soldiers into civilian employees, making a net increase in civilian employment. Reasonable reductions in this area would provide savings of \$2.7 billion.

Reductions of military expenditures and military assistance in Southeast Asia would produce another \$4 billion in savings.

Total savings in the above categories would amount to \$10 billion, Mr. Warnke says it is possible, even without eliminating any of our weapons systems.

That \$10 billion, gentlemen, could be used to restore the \$1.5 billion in city programs, the \$1.5 in rural programs and the \$7 billion

slashes in services to the urban and rural poor, the elderly, the unemployed, the untrained, our schoolchildren and our youth.

As it stands, this budget tragically neglects the human needs of our Nation and in so doing, it threatens our domestic tranquility.

While it provides billions for the military, there is not 1 cent for housing the ill-housed of the Nation.

It deprives the already deprived child of the slums of an equal educational opportunity with the rich children of suburbia.

It does nothing to improve the environment which breeds the criminal of tomorrow.

It takes away employment opportunities which make the difference between a pay check or a welfare check for millions of Americans.

At a time when we really ought to be doing more to meet the Nation's human needs, it turns back the clock to provide a World War I social budget while at the same time maintaining a World War II military budget.

What we are seeing is a Vietnamization of our social policy, a Federal withdrawal from a war on the Nation's domestic problems which left alone will breed the inmates of a hundred Atticas, tomorrow's drug addicts or just plain street corner hoodlums.

And I raise the question: What does it profit us if we rule the air and rule the seas but walk in fear on our own city streets?

And if the administration wants to know what I am talking about, it doesn't have to go very far. It doesn't have to go to Gary or Newark—it can just send Mr. Ehrlichman on a lonely walk at night through the streets of the Nation's capital.

Because the President has purposely engaged in so much deception, I think it would be useful if this committee were, in the course of its hearings and its studies, to set forth: in a concise, simple document, a statement which will answer these questions.

What are this Nation's housing needs?

What are this Nation's needs for hospitals, community health centers, mental health centers?

What are this Nation's needs for employment and manpower training programs?

What help should we be providing for our schools, for the handicapped, for the sick and for the Nation's poor and untrained in both urban and rural America?

In summary, gentlemen, President Nixon is retaining a swollen civilian bureaucracy at the Pentagon while reducing services to the poor, the helpless and the sick, while he shifts the tax burden onto the backs of our already overburdened local property taxpayers.

Again, Mr. Chairman, without any relationship or estimation or attempt to quantify the needs of our country. This is indeed a reversal of national policy.

If the President's budget were not tragic, it would be laughable. At any rate, it is absurd.

Thank you, gentlemen, for your kind attention.

Chairman HUMPHREY. Mr. Mayor, you have given us some rather dramatic and hard-hitting testimony this morning.

And the analysis of the President's budget as it relates to your community in Milwaukee has been most helpful. I am hopeful that during

these hearings we will be able to get a similar analysis of other majorities.

The mayor of St. Paul has sent me an analysis of the impact of the budget cuts upon the community of St. Paul, Minn. And the University of Minnesota has likewise given me an analysis of the budget cuts upon the program of our university and the statement of Mr. Moos at the University of Minnesota, who was by the way, one of President Eisenhower's aides in the White House, shows that the budget cuts will have the serious effect upon the graduate school and upon our medical school and medical services.

But what we are trying to ascertain is, just what do these budget cuts do to the consumer, and not just the consumer of beefsteak, but the consumer of public services. Because the public service is as much a part of the paycheck as the actual dollars and cash that may come to that consumer or that citizen.

And I think you have stated here very well what happens to the consumers in your community.

You made a statement here, Mr. Mayor, that the President's budget will not avoid a tax increase, but will simply shift the load to the local property tax.

Obviously, this is a very serious matter. The President has said that he wants to give power to the people. And what you are indicating is that he is giving problems back to the people without the adequate resources.

And you made the statement that it will shift the load to the local property tax.

Now, when the President goes on television with the scare tactics about taxes for homeowners, when he refuses to support tax reforms which would force the privileged in this country to pay their fair share, what he is really saying is that we are going to tax the little people, the old people, the people living on fixed incomes—isn't that about what you are attempting to say here or have said so well in the shift of the tax burden?

MAJOR MATER. I am saying another thing, Senator, that Congress and the past Presidents—and yes, even Mr. Nixon, up to a point in the last administration—seem to be finally recognizing something related to the tax situation at the local level.

And that is this: Down under, Mr. Chairman, we have known for some time that you cannot finance the problems of poverty on this property tax. The problems of poverty are very largely interstate problems. They arrive at the doorstep of particularly the northern communities, and they arrive in the form of people who are looking for opportunities.

And when they came to our communities, it was a question of them receiving them and us receiving them, and a question of the expenses and costs of doing so.

The local communities had to take the costs of poverty before the Federal Government started to develop a plan and you, Senator, are probably one of the No. 1 architects of the United States in trying to develop a Federal national urban policy.

This is what we have been slowly evolving.

The rationale is that under a sensible, functional tax system, you wouldn't have the problems of education.

Or most of the problems of the police or the problems of poverty and taxing property that lacks adequate provision for a sewage and garbage. That has been generally recognized.

With whatever Federal funds we have in existence—and this also applies to the rural areas—when the rug is pulled on us, either the direct fiscal load or the social load falls right back on the property tax.

And there is no denying this. Either we are going to have a tremendous social loss to our community, which then builds up again our indirect costs in health and fire and police areas, and again imposes on the property tax, or we are going to continue the thrust of the last few years to have the Federal Government live up to its responsibility of assuming its social burdens.

Mr. Chairman, I think you hit something this morning that is damned important, and that is the public relations aspect of this.

I know as one American citizen, I want to thank you for getting out last week, because finally we had a major thrust of attack. But that major thrust is minor compared to the damned public relations the President of the United States is inflicting upon this country, with no one able to answer him on television.

He had the audacity to send a regional Federal coordinator out to answer politically at the local level, armed with the kind of thing that you have talked about, the public relations ammunition that they are passing out.

And I think, Mr. Chairman, there is nothing you could have said this morning that could possibly have exaggerated this situation.

I happen to be one of the American politicians, Mr. Chairman, that lives with a personal sense of futility, because we have no way of answering these damned lies that are being fed to the country.

On the last broadcast, I heard we are told that there was an increase in the housing funding—

I will retract the word lying. If he isn't lying, he doesn't know what is in his budget.

There has been some evidences of that. At the appearance of the mayors at the mayors' conference in the President's office, the President thought that unemployment was in his budget. But it wasn't in the budget. It was in the budget on the spot right then and there when he showed some interest, his staff apparently put it in right there.

We still find no evidence of it being in except on the shell game of taking it from another program and transferring it.

Chairman HUMPHREY. Hobson's choice, in other words; will it be father or will it be the son that gets the job.

Mayor MAIER. Robbing Peter, Senior, for Peter, Junior.

Chairman HUMPHREY. Mayor Maier, some of us have felt the same sense of futility, I must confess to you.

In running around the country explaining this budget I have had to go to my home State on a command performance a dozen times for different groups of teachers this past weekend, the health officials the weekend before, to our university, the weekend before to the city of St. Paul, the weekend before to the farmers of Alexandria, Minn., the weekend before to Montevideo, Minn., constantly trying to explain to the people what this budget is about, and hopefully to get it in some proper perspective.

We have been unable to get what I consider to be a dialog with the administration in the appropriate committee to explain these actions.

There are some areas, for example, where the administration says, look, we are putting more money in the cancer program. True. But they take it out of the heart and the neurological program.

In other words, it is the rob Peter to pay Paul type of budget policy.

It obviously is not Robin Hood, because they are not robbing the rich to help the poor.

But you have been told, Mayor Maier, that all of these things are going to be taken care of by revenue sharing.

Now, I believe that both of us are strong supporters of revenue sharing. I had the privilege of joining with Senator Baker of Tennessee in a bipartisan effort here to support the concept of revenue sharing.

I took an early stand on it, as you know. In fact, I supported it in the previous Administration, as the Mayors of this community and this country know.

Was it your understanding that revenue sharing was to take the place of these programs that have been eliminated, or was it your understanding that it was to be in supplemental, in addition to?

MAYOR MAIER. Mr. Chairman, the President directly told the mayors that it was not to replace the categorical aid programs, general revenue sharing was in no way to be a replacement.

Now, in the last budget some of the language gave evidence—for instance, in the library funding—that we could use general revenue sharing for that purpose if we so chose as they cut it out.

Mr. Chairman, that is patently ridiculous, because in terms of the large central cities of this country—and I firmly believe it was the mayors who carried the main brunt of the buckshot as they tried to get this concept across—the name of the game of revenue sharing was to restore some small measure of fiscal solvency.

Mr. Chairman, even in a city like Milwaukee, which is in relatively good shape economically, has 20 percent of its clientele bankrupt.

Now, I don't know a corporation in America that can succeed with 20 percent of its clientele bankrupt and another 20 percent of it right alongside of it on the verge of bankruptcy.

Obviously, when you have this kind of a situation, if you were a private corporation, you would be in insolvency.

And it was the aim and intention of those who provide the thrust for revenue sharing to get some small measure of relief to rescue the cities that are in literal bankruptcy.

This was contrasted, and clearly contrasted, with the categorical aid programs which were designed to aid another kind of poverty, the poverty of people as contrasted to the poverty of government.

We have had considerable difficulty, Mr. Chairman, in trying to establish that distinction. But the President told us very clearly and very emphatically that if we are to be successful with the Congress on general revenue sharing, it was not to be a replacement program.

CHAIRMAN HUMPHREY. Mr. Mayor, you made some comment about the economic development program. And you remember what the Office of Management and Budget said, that it was "being phased out because the funds are so widely dispersed that, while they may have been helpful in individual cases, they have done little to overcome the problems of any community."

Of course, EDA is not being phased out; it is out. The notice has been given.

As the mayor of the city of Milwaukee, did I understand you correctly that you felt this program had been effective?

Or would you like to give some other evaluation?

Mayor MAIER. Mr. Chairman, this is one of the most hopeful programs in the Federal hopper. Tangentially, I have been arguing with the Department of Commerce for a number of years that under the Appalachian bills we have Appalachias in the city.

Chairman HUMPHREY. Yes; I know that.

Mayor MAIER. So we finally got enough funding to design the Operation Bootstrap for a 20-square mile area of Milwaukee for industrial and commercial reclamation, right in the worst part of the core area of our city.

Now, of course, the planning is suspended. And we have got a half of an economic plan, and no immediate hopes for mixing up this reclamation.

Mr. Chairman, you know of all the Federal subsidies I am sure that exist. I couldn't think of a better use for a Federal dollar than for a subsidy to these central cities to make the effort to reclaim some of these once prime industrial areas which can now again, with modern tools of redevelopment, be reclaimed.

And right there is some of the best territory, the metropolitan areas, to set up new and economic and industrial enterprises.

This is a case in history of the significance of these cuts which are not even great dollar amounts, but which are in terms of hope and future planning tremendously significant.

Chairman HUMPHREY. As you know, Mr. Mayor, the program was primarily technical assistance, loans, and only \$50 million budget for grants for the whole Nation.

So it wasn't any kind of a give away program.

And I would charge in this record that the germination of EDA is one of the most—the most irresponsible acts of the administration, because the program on cost benefit relationship was one of the finest in the country.

And it is, I think, unpardonable that it has been cut out.

And when it comes to the consumer again, in the northern part of our State, as you know, Mr. Mayor, the Duluth-Superior area, EDA was the lifeblood. It gave us a chance.

Now, of course, it is out.

The Office of Management and Budget said that the pressing reason for cutting the mental health centers is because they don't serve the poor.

Our statistics show that in 1970, 64 percent of the persons admitted to these centers had family incomes below \$5,000.

What is your experience, your understanding of the effectiveness of these mental health centers as to who they serve?

Mayor MAIER. I have no evidence other than that they are serving the clientele that the Federal policy called for, that is, the poorer- and middle-income persons, stratified immediately in the class above the poverty level.

And we can find nothing to sustain any justifiable belief that there has been any kind of a departure from the established policy in Congress.

Chairman HUMPHREY. I have never understood, Mayor Maier, why these centers should be only for the poor. I kind of thought the Constitution talked about: "We, the People;" it didn't talk about just the poor people.

The community mental health centers that I have seen in the State of Minnesota have served the sick, whether they are of middle income, low income, or even higher income. At a time when mental illness and alcoholism are rising problems in our society, it would seem to me a poor time to be phasing out mental health centers.

MAYOR MAIER. Mr. Chairman, I guess when it comes to the question of mental health, nobody is rich. If anyone has to deal with a mental health problem of any nature, I guess that it stretches a person with a rather large income to deal with it adequately.

But this gets back to another problem. And that is the question I put to you, Mr. Chairman; there ought to be some estimation of the need—I can't personally think of a more critical area to be dealing with in the United States, than this whole area of mental health.

And this of course, is recognizable fully. Ask anyone—and this includes, I guess, most of the families in America, the kind of a burden that attaches to a mental health problem, and how inadequate the research is, and how inadequate the facilities are.

And I think the answer would come up that this has got to be one of the top priorities in the United States.

In the case of the multifamily, we have made some studies on multifamilies in Milwaukee, and in an effort to better coordinate our services through our social development commission which handles the property program, we find that in the case of one problem family you can have 15 agencies. But in addition to a juvenile delinquent in the family, headed by a maternal head of the family, or an aged grandparent of a family, the most serious cause of adverse or negative interreaction in the family is the presence of a mental retarded child.

And it is incredible that anyone would challenge the fact that the mental health center only serves 25 percent of the population rather than taking the view that we ought to build 1,500 more mental health centers of this country to service the 100 percent of the population.

And I consider that only a beginning in terms of these research and operational costs.

Chairman HUMPHREY. Mayor Maier, in the resolution to which you have directed your early remarks, the national priorities resolution which I introduced, we mentioned the National Coalition for Human Needs and Budget Priorities.

Could you tell this subcommittee more about this group, who are its members, and what has caused them to come together, and what do they represent.

Because generally with titles like this, you know, some people feel that these organizations are less than what you would call the response groups of our society.

Who is in your organization?

MAYOR MAIER. The President said he would bring us together, Mr. Chairman, and he brought us together.

In general classification, it is composed of representatives of the organized labor, organized farmers, and religious organizations of the United States.

The first vice chair person is the Reverend W. Sterling Cary, the president of the National Council of Churches, and the second is Mrs. Frances T. Farenthold.

Other board of directors are such people as Luch Wilson Benson, the League of Women Voters of the United States; Leon Weiner, former chairman, National Home Builders Association; Floyd Smith, the president of the International Association of Machinists (AFL-CIO); David Seldon, of the American Federation of Teachers; Leonard Woodcock, the president of the United Automobile Workers of America; Bernice Crawley, president of the National Tenants Organization; Nelson Cruikshank, the president of the National Council of Senior Citizens; Tony Dechant, the president of the National Farmers Union; Vernon Jordan, the president of the National Urban League; and Father Theodore Hesburgh, the Chancellor, University of Notre Dame.

And in addition to this, we have the representatives of both the Urban Coalition and Common Cause, which makes this coalition the sort of a coalition of coalitions.

Chairman HUMPHREY. That is a good cross section, I would say, of socially conscious groups and individuals.

Mayor MAIER. That is a small designation of the people who are on the board of directors.

Chairman HUMPHREY. Will you include in the record, if you please, Mayor Maier, all the members of the board.

Mayor MAIER. Yes, sir, Mr. Chairman.

[The information referred to follows:]

BOARD OF DIRECTORS, COALITION FOR HUMAN NEEDS AND BUDGET PRIORITIES

Chairman: Mayor Henry W. Maier, Mayor of Milwaukee, Past President, U.S. Conference of Mayors, 200 West Wells, Milwaukee, Wis., (414) 278-2201.

Vice Chairperson: The Rev. W. Sterling Cary, President, National Council of Churches, 297 Park Avenue, South, New York, N.Y., (212) 475-2121.

Vice Chairperson: Mrs. Frances T. Farenthold, National Women's Political Caucus, 1302 18th Street, NW., Washington, D.C., 785-2911.

Albert E. Arent, Esq., 1815 H Street NW., Washington, D.C., 347-8500.

Lucy Wilson Benson, President, League of Women Voters of the United States, 1730 M Street NW., Washington, D.C., 296-1770.

Stewart M. Brandborg, Executive Director Wilderness Society, 729 15th Street NW., Washington, D.C., 347-4132.

David Brower, Friends of the Earth, 529 Commercial Street, San Francisco, Calif. (620 C Street SE., Washington, D.C.), (415) 391-4270, 543-4312.

Hodding Carter, Jr., Publisher, Delta Democratic Times, Greenville, Miss., (601) 335-1155, (601) 335-4561—newsroom.

Gail Cincotta, National Peoples Action on Housing, 1109 North Ashland, Chicago, Ill., (312) 486-4111, (312) AR6-0211.

Jack Conway, Common Cause, 2100 M Street NW., Washington, D.C., 833-1200.

Bronson Clark, Executive Secretary, American Friends Service Committee, 112 South 16th, Philadelphia, Pa., (215) LO3-9372.

Wilbur Cohen, Former Secretary, Department HEW, care of School of Education, University of Michigan, Ann Arbor, Mich. (313) 764-1817.

Burke Marshall, Deputy Dean, Yale Law School, New Haven, Conn., (203) 436-1191.

Fr. Albert J. McKnight, President, Southern Cooperative Development Fund, Inc., P.O. Box 3005, Lafayette, La., (318) 232-9206.

General John F. McMahon, Director, Volunteers of America, 340 West 85th Street, New York, N.Y.

Arnold Miller, President, United Mine Workers, 900 15th Street NW., Washington, D.C., 638-0530.

The Rt. Rev. Paul Moore, Jr., Episcopal Diocese of New York, 1047 Amsterdam Avenue, New York, N.Y., (212) 749-1100.

Layton Olson, Executive Director, National Student Lobby, 413 East Capitol Street, Washington, D.C., 547-5500.

Terry Sanford, President, Duke University, Durham, N.C. (919) 684-8111.

Wilma Heide Scott, National Organization for Women, 96 Irene Drive, Vernon, Conn.

David Seldon, American Federation of Teachers, 1012 14th Street NW., Washington, D.C., 737-6141.

Rabbi Henry Stegman, 432 Park Avenue South, New York, N.Y.

John Silard, Rauh & Silard, 1001 Connecticut Avenue NW., Washington, D.C., 737-7795.

Floyd Smith, President International Association of Machinists (AFL-CIO), 1300 Connecticut Avenue NW., Washington, D.C., 785-2525.

Margery Tabankin, Youth Project, 1000 Wisconsin Avenue NW., Washington, D.C., 338-5721.

Dr. Francisco Trilla, Chairman, Puerto Rican Association for National Affairs, 2121 P Street NW., Washington, D.C.

Paul Warnke, 815 Connecticut Avenue NW., Washington, D.C., 293-8686.

Leon Weiner, Former Chairman, National Home Builders Association, in care of Leon Weiner & Associates, Inc., 4 Denny Road, Wilmington, Del., (302) 764-9430.

Dr. Raymond Wheeler, Chairman, Southern Regional Council, 52 Fairlie Street, Atlanta, Ga., (404) 522-8764.

Mayor Kevin White, Mayor of Boston (Contact is Ira Jackson's office, secretary is Barbara Weiss with direct and night number 617-722-4555) (617) 722-4100.

George Wiley, National Coordinator, Movement for Economic Justice, 1609 Connecticut Avenue NW., Washington, D.C., 462-4200.

Leonard Woodcock, President, United Auto Workers, 8000 E. Jefferson Avenue, Detroit, Mich., (313) 926-5201.

Vicente Ximenes, 304 Monroe Street NE., Albuquerque, N. Mex., (505) 265-2183.

Robert Coles, 816 Mullen Road NW., Albuquerque, N. Mex., (505) 344-1313.

Msgr. Laurence Corcoran, President, National Conference of Catholic Charities, 1346 Connecticut Avenue NW., Washington, D.C., 785-2757.

Sr. Carol Coston, Executive Director Network, 224 D Street SE., Washington, D.C., 832-1914.

Bernice Crawley, National Tenants Organization, 437 Rosedale Street, Pittsburgh, Pa. (425 13th St. NW., Washington, D.C.), (412) 243-5138.

Nelson Cruikshank, President, National Council of Senior Citizens, Inc., 1511 K Street NW., Washington, D.C., 783-6850.

Tony Dechant, President, National Farmers Union, 1012 14th Street NW., Washington, D.C., 638-9774.

Marian Edelman, President, Washington Research Project, 1763 R Street NW., Washington, D.C., 483-1479.

Elizabeth S. Ginne, President, Young Women's Christian Association of the U.S.A., 600 Lexington Avenue, New York, N.Y., (212) 753-4700, ext. 216.

Mayor Kenneth Gibson, Mayor of Newark, Newark, N.J., (201) 733-6400.

Fannie Lou Hamer, Freedom Fund Foundation, 721 James Street, Ruleville, Miss., (601) 756-4619.

Clairie Harvey, President, Church Women United, 415 N. Parish Street, Jackson, Miss., (601) 353-2621.

Fr. Theodore Hesburgh, Chancellor, University of Notre Dame, South Bend, Ind., (219) 283-6011.

Rev. Jesse Jackson, Chairman, Operation Push, 7941 S. Halsted Street, Chicago, Ill., (312) 373-3366.

Vernon Jordan, President, National Urban League, 55 East 52d Street, New York, N.Y., (212) 751-0300.

Rr. Adm. Gene LaRocque, U.S.N. (Ret.), Center for Defense Information, 201 Massachusetts Avenue NW., Washington, D.C., 543-0400.

Allard Lowenstein, Chairman, Americans for Democratic Action, 383 Pearl Street, Brooklyn, N.Y., (212) 852-8117.

William Lucy, Secretary/Treasurer American Federation of State, County & Municipal Employees, 1155 15th Street NW., Washington, D.C., 223-4460.

Chairman HUMPHREY. While you are here, Mayor Maier, I want to ask Mr. LaRocque a question or two.

We mentioned tax reform. In the Senate Joint Resolution 14, I proposed that we make reductions in the military spending of around \$5 billion to \$7 billion.

I also propose that we make additions to income, revenue income by from \$5 to \$7 billion through tax reform.

These figures, I believe, are modest. And I stayed on the low side feeling that the \$5 billion is a figure that can be achieved without any major disruption of our national security.

I believe it is fair to say that both the mayor of Milwaukee and myself have taken a pretty strong stand on national security even within our own respective political parties.

I have not been a wild budget cutter on national security, and I don't intend to be.

I have been accused by the administration as being one of the spenders. But, you know, I have never thought it was spending very much to send our children to school, or to take care of our little ones.

I want to say before I forget it again, because I will never mention it at another hearing, I can never forgive the President of the United States for vetoing the Vocational Rehabilitation Services Act. I consider that not only one of the cruelest vetoes, but also from an economic point one of the most unjustifiable.

I could demonstrate by pencil and paper that every dollar that was put in the Vocational Rehabilitation Services would produce vast amounts of income and considerable amounts of revenue.

But the President twice has vetoed that bill, and has done so, may I say, to the pain and the suffering of many, many people in this country.

My colleague, Senator Mondale, is on the Finance Committee. And in the New York Times of Monday, April 16, there is a story that tells how the tax laws work. And it is interesting to read. It says:

Under the minimum tax added to the law in 1969 to insure that all wealthy persons paid some Federal income tax, 24,000 of them are paying at a rate averaging 4.13 * * *.

That is a little over 4 percent, or about what a \$6,000 a year worker pays. Now, that calculation was made out of the figures of the statistics of income of 1971.

In other words, the minimum tax has not ended the ability of some wealthy individual to escape all Federal income tax. There were 276 individuals with adjusted gross incomes of \$100,000 or more, that paid no Federal income tax for 1971.

In addition, there was a total of 23,889 individuals that had to pay the minimum tax for 1971, and they paid a total of \$163,887,000 in taxes on \$3.9 billion of income.

The average tax rate on the income subject to the minimum tax was therefore 4.13 percent.

Wouldn't the average worker just love to pay only 4.13 percent income tax?

Now, this press story I will ask to have incorporated in the record, justifying once again the absolute necessity of the administration of presenting to the Congress of the United States its proposal for tax reform.

[The New York Times article follows:]

[From the New York Times, Apr. 16, 1973]

MONDALE SAYS THE MINIMUM TAX STILL LETS SOME PAY NOTHING, OTHERS AN AVERAGE OF 4 PERCENT

WASHINGTON, April 15.—Under the minimum tax added to the law in 1969 to insure that all wealthy persons paid some Federal income tax, 24,000 of them are paying at a rate averaging 4.13 per cent, or about what a \$6,000-a-year worker pays.

This calculation was made public today by Senator Walter F. Mondale, Democrat of Minnesota, who based it on figures obtained from the Internal Revenue Service. The figures are published in an I.R.S. booklet entitled "Statistics of Income, 1971," the latest year for which tax returns have been filed and analyzed.

The minimum tax has not ended the ability of some wealthy individuals to escape all Federal income tax, Senator Mondale said, noting that two weeks ago he published I.R.S. data showing that 276 individuals with adjusted gross incomes of \$100,000 or more paid no Federal income tax for 1971.

INADEQUACY CHARGED

But, in addition, he said, the new figures "show clearly how inadequate the minimum tax is, even in its effects on those who do have to pay it."

A total of 23,889 individuals had to pay the minimum tax for 1971 and they paid a total of \$613,877,000 in taxes on \$3.9 billion of income that would not otherwise have been taxed at all, the Internal Revenue figures showed.

The average tax rate on the income subject to the minimum tax was thus 4.13 per cent.

EXCEPTIONS TO MINIMUM

The minimum tax, imposed at a flat rate of 10 per cent, applies only to income exempted from tax by other provisions of the law. Among the major examples of such otherwise untaxed income are half of all capital gains and the income wiped out, for tax purposes, by the depletion allowance for oil and other minerals and by the special accelerated deductions for depreciation on real estate.

Not all forms of untaxed income are covered by the minimum tax, however. Among the major exceptions are interest on the bonds of state and local governments and deductions for drilling expenses for oil and gas wells.

In addition, the minimum tax does not apply at all unless the amount of otherwise untaxed income exceeds \$30,000 plus the amount of tax that the taxpayer paid on his other income, such as his salary, that is fully subject to the ordinary income tax.

The exemption for untaxed income that does not exceed this amount accounts for the fact, also reported by Internal Revenue, that while 98,205 persons had enough untaxed income to have to file a return under the provisions of the minimum tax, only 23,889 of them paid any minimum tax.

Senator Mondale's figures did not cover these 74,316 individuals who had untaxed income totaling \$2.3-billion that escaped the minimum tax as well as all other Federal income taxes.

NO ADJUSTED GROSS INCOME

Senator Mondale noted that the same Internal Revenue publication disclosed that of the 23,889 persons who did pay some minimum tax, 1,614 reported that they had no "adjusted gross income." This is possible because many of the special provisions of the tax law provide that deductions, such as depreciation and the depletion allowance, be made before "adjusted gross income" is recorded on the tax form.

The ordinary salaried person, on the other hand, reports all of his income as adjusted gross income and then subtracts his deductions at a place farther down on the tax form.

The disclosure that 1,614 payers of the minimum tax have no "adjusted gross income" shows that most Government figures "dramatically understate the problem of tax avoidance by the rich in this country," Senator Mondale said.

He noted that his earlier figures on persons with \$100,000 of income or more who paid no Federal income tax for 1971 were based on figures for adjusted gross income simply because there were no other figures available.

Chairman HUMPHREY. Mr. Mayor, the President promised that in June last year. He said he would have a bill before the Congress by the first of the year on tax reform. None of that has come.

The Secretary of the Treasury, in September of this year, said he would have a bill before the Congress in the first weeks of the session. None has come.

In the meantime, the administration is out on the propaganda campaign of frightening the average family in this country, implying that unless everybody does what the President tells them to do, taxes are going to go up 15 percent.

Now, I am going to repeat my charge in this committee, and I ask the administration witnesses to comment and disprove it, that there isn't one scintilla of evidence that the Federal Government will have to increase taxes 15 percent if the budget of last year was fully funded; in other words, if the budget that the Congress appropriated last year was to be made available for all the appropriated funds for the social services that we outlined.

We have simply got to draw the line in this administration in getting by with this propaganda campaign that you have mentioned here.

May I ask Mr. LaRocque this question:

Do you believe that the Pentagon budget, the defense budget can be sensibly, prudently reduced without in any way crippling our defense capability in the light of modern world conditions?

Mr. LAROCQUE. I may answer that in this way:

First of all, I am pleased to have been invited to appear before your subcommittee under your chairmanship, and I am also honored to complement Mayor Maier's comments.

My centerpiece analysis of Defense Department spending—

Chairman HUMPHREY. Just identify yourself for the record.

Mr. LAROCQUE. Director of the Center for Defense Information. It is an independent group that makes analyses of defense weapon systems, spending, and Defense Department policies.

Chairman HUMPHREY. And your background, Mr. LaRocque?

Mr. LAROCQUE. I have had 31 years of active duty in the Navy. I am a retired rear admiral, U.S. Navy.

I used up some of that retired pay that is in the budget which has doubled in the last 6 years, incidentally, not mine, but the total figure.

I don't agree with it from the point of view of how much we can cut, nor how much of a cut would be prudent.

However, we have almost completed—we are in the final throes of completing a detailed analysis of the weapon systems in this year's request from the Pentagon.

And it just happens, in totaling up the dollar value of those, that it comes closer to \$10 billion of these weapon systems which are only of minor, marginal utility.

We can document that. And I would be happy to provide at a subsequent time, if you wish the complete analysis, which is quite brief, but very explicit.

Chairman HUMPHREY. We would appreciate having that made available to our committee and the staff will be in touch with you.

Mr. LAROCQUE. Thank you. We would be pleased to do it.

May I comment on one thing: You were talking about the Office of Management and Budget.

As you know, Mr. Chairman, they handle the Pentagon budget review in an entirely different way.

First of all, they call it a continuing review, which is really a euphemism for no review.

And I know of no instance where the Office of Management and Budget has said, no, you may not build an aircraft carrier, for example, nor do I think they have the capability to do that.

The view in the Pentagon is pretty much that the Office of Management and Budget review of the Defense Department budget is a joke; they simply make up their own budget, and it is handled entirely differently by the Office of Management and Budget.

You mentioned, sir, this EDA has been cut out at a cost of \$50 million.

I notice in the budget this year that if just one of the proposed B-1 bombers were to be eliminated, it would just fund that entire project.

Or if you were to slow the production of 100 March 48 Torpedoes, you could fund that entire program.

Chairman HUMPHREY. We will surely welcome the information that you can give to us, sir, on the analysis of the defense budget.

I look forward to that information just as a solid base of reliable data.

I don't want to engage in any kind of just picking figures out of thin air. And that is why, in the resolution that I prepared and introduced, I cut back the numbers, the figures that had been recommended to me by some others, because I was worried lest we could be citing figures that cannot be fully justified.

I think you would agree with me that \$5 billion figure could be justified and then some, a \$5 billion reduction?

Mr. LAROCQUE. The \$5 billion figure can be justified. It is conservative.

There are many weapons systems being requested this year which are not needed by the United States to provide more than adequate national security.

And the only conclusion one can come to is that that money is wasted and it is denied to our own people in this country.

Chairman HUMPHREY. The hour is 11:30; we have appreciated very much the testimony that has been given here today.

And Mayor Maier, I want to personally thank you for taking the time to come here.

I regret that we were not able to have Mr. Ash here while you were here, because I believe that the discussion that the two of you might have would be slightly enlightening, and slightly electric as well.

My best wishes. Thank you very much.

The subcommittee is in recess.

Tomorrow, we will have Elmer Staats, Comptroller General; Mr. Wilbur Cohen, dean of the school of education, the University of Michigan; and Lester Thurow, professor of economics, Massachusetts Institute of Technology.

[Whereupon, at 11:35 a.m., the subcommittee recessed, to reconvene at 10 a.m., Wednesday, April 18, 1973.]

CONSUMER RELATED BUDGET CUTS

WEDNESDAY, APRIL 18, 1973

CONGRESS OF THE UNITED STATES,
SUBCOMMITTEE ON CONSUMER ECONOMICS
OF THE JOINT ECONOMIC COMMITTEE,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10:07 a.m., in room 1202, Dirksen Senate Office Building, Hon. Hubert H. Humphrey (chairman of the subcommittee) presiding.

Present: Senator Humphrey.

Also present: Lucy A. Falcone, Jerry J. Jasinowski, and L. Douglas Lee, professional staff members; Michael J. Runde, administrative assistant; George D. Krumbhaar, Jr., minority counsel; and Walter B. Laessig, minority counsel.

OPENING STATEMENT OF CHAIRMAN HUMPHREY

Chairman HUMPHREY. I call the subcommittee to order.

This is a meeting of the Consumer Economics Subcommittee of the Joint Economic Committee.

The Chair will just make a brief statement in reference to some of the considerations today and yesterday.

The budget of the United States may be the Nation's most important public document. The budget sketches out the Government's present and future economic activities, the level and composition of Federal revenues, the overall level of Federal spending, and the details about how much money will be spent for particular Government programs. The execution of the budget plan has an enormous effect on the economy and on individual consumers. For this reason, it is clear that Congress and the public need a budget document that is honest and complete.

Yet look at the situation we face today.

First, the current budget document misrepresents the current economic situation, what factors have created that situation, and what actions the Executive has taken to control Federal spending. We are told that Congress is entirely to blame for the current spending increases, that the administration has a spending reform program that will save the taxpayers a great deal, and that the administration is also busy weeding out wasteful and ineffective programs. None of these assertions are true, as has been made clear by the Joint Economic Committee staff study analyzing the administration's spending reform proposals, which I released last Friday.

Second, Mr. Roy Ash, Director of the Office of Management and Budget, has refused to testify before this subcommittee on the sub-

stantive reasons why particular budget cuts were made. Mr. Ash says he won't come because he is only responsible for the overall fiscal outlook, not the details about why certain budget cuts are made. This puts Mr. Ash in the incomprehensible position of being in charge of managing the budget in general but not in particular. This represents, to me at least, an abdication of Mr. Ash's responsibilities as Director of the Office of Management and Budget.

Third, instead of building their case for the particular budget cuts with hard analysis, and presenting such analysis in open testimony to the Congress, the White House apparently has mobilized the Government's public relations machinery to distort the spending issue. As most of you know, the administration has distributed a 145-page public relations kit called "The Battle of the Budget, 1973." I have here a copy of that rather impressive looking kit.

This is a Xerox of 145 pages of propaganda prepared by the executive branch to forward their views on the budget.

I have looked at this kit and found it goes far beyond the bounds of partisan debate in its contempt for Congress. An entire page is devoted to demeaning statements that speechmakers can make about the Congress, including statements like these :

Just because the Congress passes the buck doesn't mean the President has to spend it.

When the Congress can't add . . . the President must subtract, otherwise the budget will keep on multiplying and the taxpayers dollars will keep on dividing.

When one man helps himself to another man's bank account, it's called embezzlement. But when a big spending Congressman helps himself to the taxpayer's income with higher prices and taxes, then it's called compassion.

Does the Congress really want programs of compassion for the poor, or does it just want to indulge its passion for poor programs.

That's a cutie, I might add.

This may look like a Santa Claus Congress—but its got a bag full of bad news for the taxpayers.

All this talk about a constitutional crisis is just a smoke screen—a frantic attempt to divert attention to the crisis of confidence and the ability of Congress to protect the American taxpayer.

Some people on Capitol Hill seem to have the power of the people mixed up with the power to declare war on the American taxpayer.

When the report card on the budget comes in, if the Congress flunks arithmetic, the taxpayer is the one who will get a licking.

These are a series of quotations from this kit prepared in the executive branch to forward the President's views on the budget.

I consider this kind of language an outright attack upon the integrity and the responsibility of the Congress of the United States as an institution.

And it is unworthy of people in high office. And it surely is unworthy of the executive branch which, in order to accomplish any of its objectives, must have some cooperation from the Congress.

As one can see, these are demeaning statements that Congress is on a drunken spending spree and only the President is interested in economizing. The Joint Economic Committee staff study I released last Friday has laid that myth to rest by showing that Presidential spending initiatives were responsible for more than half of the spending excesses over the President's original fiscal 1973 budget proposals.

We in Congress cannot and will not allow such wholesale distortion of the budget and spending issues. We must put a spotlight on what

is happening to budget priorities behind the public relations haze, and we must halt the use of government funds and resources for propaganda purposes: I have therefore written to the Comptroller General and asked him to investigate the administration's public relations activities in the budget area, particularly the use of the 145-page public relations kit called "The Battle of the Budget, 1973."

Might I say in the presence here of the Comptroller General that in examining appropriation acts I find certain language which indicates to me that there may be a flagrant violation of law here.

Section 608 of the Treasury and Post Office and General Government Appropriations Act, 1973 reads:

No part of any appropriations contained in this or any other act, or a fund available for expenditure by any corporation or agency, shall be used for publicity or propaganda purposes designed to support or defeat legislation pending before the Congress.

Now, that is legislation which is still binding. And it is the kind of legislation language that appears year after year in appropriations bills.

And the language is very specific:

No part of any appropriations contained in this or any other act shall be used for publicity or propaganda purposes designed to support and defeat legislation ending before the Congress.

Mr. Comptroller General, I want you to find out who paid for this kit. If it came from the Committee to Reelect the President, that is one thing. They seem to have a lot of money. But if it came out of the funds appropriated by the Congress of the United States, I want to find out whether section 608 of the Treasury, Post Office and General Government Appropriations Act of fiscal 1973 applies.

And I have reason to believe that it does. But I leave that judgment to more impartial and competent hands.

[The following information was subsequently supplied for the record:]

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
Washington, D.C., April 18, 1973.

HON. ELMER B. STAATS,
Comptroller General of the United States,
General Accounting Office, Washington, D.C.

DEAR ELMER: It has been reported, as you know, that the Administration has mobilized a major public relations effort to convince the public that Congress is an irresponsible spender and that the President is a prudent economizer. I have criticized the substance of this position in my statement releasing the Joint Economic Committee's staff study of the Administration's spending reform proposals. But I believe a further investigation of the Administration's public relations effort in the budget is merited.

I would first like the General Accounting Office to obtain a complete copy of the Administration's 145 page public relations kit, "The Battle of the Budget 1973." I would then ask you to determine who supervises the preparation of this document, that Executive offices assist in its preparation, and how many copies have been produced. I would also like to know who has received copies and what instructions were given on how to use the material. Finally, I would like to know the total cost for producing the material and the government funding sources.

I would also like you to determine if the Budget and Accounting Act, or any Federal statutes or guidelines lay out standards for honesty in the preparation of the Budget.

I would be interested in any suggestions you might have about the relevant questions to raise in reviewing these public relations activities with respect to

the Budget. I hope that we can move promptly on this and have at least a preliminary answer in 10 days.

If you have any questions concerning this matter, please contact Mr. Douglas Lee of the Joint Economic Committee staff.

Sincerely,

HUBERT H. HUMPHREY,
Chairman, Subcommittee on Consumer Economics.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D.C., April 30, 1973.

B-178448.

Hon. HUBERT H. HUMPHREY,
U.S. Senate.

DEAR SENATOR HUMPHREY: This is in response to your letter of April 18, 1973, in which you requested certain information on the use of speech-making guidelines—commonly referred to as the "Battle of the Budget" kit—being used by Federal officials. Enclosed is a complete copy of the kit which was obtained from Mr. Ken Clawson, Deputy Director of Communications for the Executive Branch.

We interviewed Mr. Clawson and Mr. Fred Fielding, Deputy Counsel to the President on the matter. The results of our interview were as follows:

Question 1. Who prepared to kit title "Battle of the Budget 1973?"

Answer. The "Battle of the Budget" had its origins in a TV speech made by the President during which the need to hold the line on the 1974 budget was emphasized. Following this speech Mr. John Ehrlichman, Assistant to the President for Domestic Affairs, held a press conference and discussed fifteen bills under consideration by the Congress which the President intended to veto, if necessary. Fact sheets were passed out giving the Administration's rationale.

Most of the substance of the fact sheets was developed by staff of the Domestic Council during preparation of the budget. Later the fact sheets became a part of the "Battle of the Budget."

Assembly of the "Battle of the Budget" was by White House staff writers.

Question 2. How many copies were produced and who received them?

Answer. There were two sets of copies prepared. The first set, estimated as numbering 30 to 50 copies, was prepared by the White House and distributed only to presidential appointees of the highest rank, such as cabinet officers, agency heads, and some undersecretaries. The second set, estimated as numbering 120 to 150 copies, was printed by the Republican National Committee and paid for by them. These copies were made available to subcabinet level presidential appointees, such as assistant secretaries, assistant administrators and public affairs officers.

Question 3. What instructions were given on use of the "Battle of the Budget"?

Answer. The "Battle of the Budget" was discussed during routine meetings conducted by the Office of Communications with public affairs directors who were presidential appointees. The Office of Communications is responsible for coordinating and consulting on public affairs information in the Executive Branch.

The public affairs directors were advised by Mr. Clawson that presidential appointees should talk about the budget, where appropriate, as often as possible to get across the President's position.

Question 4. What were the costs of preparing the "Battle of the Budget" and how were they financed?

Answer. As noted earlier, we were informed that the "Battle of the Budget" kit included material developed during formulation of the budget. Inspection of the kit indicates that it is essentially a compilation, consisting largely of speech excerpts, letters, poll results, and fact sheets carrying various dates. Inasmuch as this material appears to have been originally prepared or accumulated by the White House staff for other purposes, its cost is not clearly assignable to the kit. In any event, the accounting records of the White House are not maintained in a manner which permits identification of the cost of any material or work relating specifically to the "Battle of the Budget" kit.

You asked that we determine if the Budget and Accounting Act, or any Federal statutes or guidelines "lay out standards for honesty in the preparation of the budget." As a general rule, the statutes and guidelines affecting the budget process require that the budget be supported by adequate detail as determined by the President. We are not aware of any specific guidelines establishing more detailed standards for the preparation of the budget.

However, there is also to be considered section 608(a) of the Treasury, Post Office, and General Government Appropriation Act of 1973, Public Law 92-351, 86 Stat. 471, which provides that:

No part of any appropriations contained in this or any other Act, or of the funds available for expenditure by any corporation or agency, shall be used for publicity or propaganda purposes designed to support or defeat legislation pending before Congress.

It is clear that the kit is part of an effort to defeat the 15 pieces of legislation pending in Congress which the Administration opposes. It explains the reasons for the Administration's opposition to the legislation and includes statements that people should be urged to write their representatives in Congress. In our opinion, this use of appropriated funds violates the provisions of section 608(a) of the act.

However, the action to be taken by our Office with respect to such improper use of appropriated funds is limited to recovery of the amounts improperly expended. Essentially, there is involved the cost of paper and printing and the time of personnel. While appropriated funds apparently were used in preparing the kit, it appears that the amount would be small and commingled with proper expenditures.

Concern has also been expressed as to whether the "Battle of the Budget" kits violate 18 U.S.C. 1913, lobbying with appropriated moneys. It is our position that in view of the criminal nature of this statute, determinations as to its violation should be made by the Department of Justice. Since 18 U.S.C. 1913 contains fine and imprisonment provisions which may be enforced only through judicial criminal proceedings, it is not within our jurisdiction to determine the statute's applicability in any given circumstances.

We hope that this report will serve your purposes.

Sincerely yours,

ELMER B. STAATS,
Comptroller General of the United States.

Enclosure.

THE BATTLE OF THE BUDGET, 1973

MAJOR THEMES

1. President Nixon's new budget moves us firmly toward a goal that Americans have not achieved in nearly 20 years: prosperity without war and without inflation.

2. The key to the President's budget is its tight lid on spending:

He is cutting back on programs that don't work in order to concentrate our efforts on those that do.

He is reforming other programs so that through revenue sharing, people will have a greater control over their own lives.

3. If the big spenders in Congress bust open the budget, they will force higher taxes or more inflation upon the American people.

The increase in our tax bills could be as much as 15%.

4. This is a battle between the public interest and the special interests. Congress always hears from the special interests.

Now is the time for the average taxpayers to let them know how they feel about higher taxes and more inflation: write now to your Senators and Congressman to tell him where you stand.

KEY FACTS ABOUT THE BUDGET FIGHT

I. The Past: An Era of Bigger and Bigger Government

Governments at all levels—Federal, State and local—now take 32 percent of the Nation's income; in the mid-50's, they took only 25 percent.

The Federal Government alone has nearly doubled its burden on taxpayers since 1950, now taking over 20 percent of all personal income.

Growth of Federal spending was especially pronounced under the last years of LBJ, growing at an average annual rate of 17 percent between 1965 and 1968. In 1963, there were only 160 individual grant programs, but now there are over 1,000.

A huge momentum is now built into the growth of Government. Nearly 75 percent of the FY 74 budget is for virtually "uncontrollable" items.

At the present rate of growth, the budget of the Federal Government will be over \$1 trillion—the size of our entire economy today—by the 1990's.

II. President Nixon's New Budget: Achieving Prosperity Without War and Without Inflation

America today is approaching a goal it has not achieved in nearly two decades: high employment prosperity without war and without inflation. By holding the line on spending, the 1974 budget proposed by the President will move the country firmly toward that goal.

With the economy on a fast upswing, it is now important, under the full employment budget principle, to hold the line on spending. Otherwise, we will require higher taxes, higher interest rates, or more inflation—perhaps all three—and the economy could fall apart.

The new budget:

1. Fulfills the President's campaign pledge to hold down Federal spending so that there will be *no tax increase*.
2. Proposes a *leaner Federal bureaucracy*—113 programs have been marked for reduction, termination, or reform into special revenue sharing.
3. Proposes *greater reliance on State and local governments* to make their own decisions—through the creation of four special revenue sharing programs this year, the President seeks to turn over \$6.9 billion to State and local governments which they might spend as they wish on education, law enforcement, manpower training and community development. The four Special Revenue Sharing programs would replace 70 outmoded, narrower categorical grant programs and, in most instances, eliminate the need for local matching funds.
4. Ultimately proposes *greater freedom for the American people* to make their own decisions about what is best for them.

III. Congressional Budget-Busting Could Force a Tax Increase of 15 Percent

Without the cuts proposed by the President, the Federal budget would soar. Here are the savings the President proposes (expressed in billions of dollars):

Fiscal year:	Budget proposed by RN	Budget without RN cuts	Savings achieved by RN
1973.....	250	261	11
1974.....	269	288	19
1975.....	288	312	24

If the President had not taken the initiative on balancing the budget, the Congressional actions would have required an across-the-board personal income tax surcharge of at least 15 percent or its equivalent in other tax increases. By its recent actions, Congress is trying again to force taxes up, and the President is determined not to let this happen. Most simply, the Congress is pursuing a higher-tax policy while the President is trying to hold the line against more taxation.

IV. Congressional Budget-Busting Could Also Force Renewed Inflation

Under the new economic policy launched by the President on August 15, 1971, inflation was sliced almost in half in 1972 over its rate of four years ago.

The rate of inflation in the U.S. is now the lowest in any major industrial country in the world.

The President's stated goal is to reduce inflation to a rate of only 2½ percent by the end of 1973.

All of these gains would be wiped out if Congress lets the budget go out of control.

V. Budget-Busting Would Ultimately Inflict Serious Economic Damage on the American People

Our economy today is surging forward:

It grew by 6½ percent last year and is expected to hit nearly 7 percent this year.

Inflation is coming under control, as noted. One area of persistent difficulty, food prices, should show distinct improvement in the second half of the year as a result of Administration efforts to increase supplies.

Employment is going up. The number of people employed jumped by 2.3 million in 1972, the largest increase in 25 years.

Unemployment is going down. It has fallen from the 6 percent level of 1971 to 5.1 percent last month and should drop to 4½ percent by the end of 1973.

Purchasing power of the average worker's take-home pay rose more last year than in any year since 1955. It went up 4.3 percent, the equivalent of two extra weekly pay checks.

Business fixed investment rose by 14 percent last year and is rising smartly this year.

An inflated budget could destroy this progress:

Inflation will slice into the pocketbook of the average working man, robbing him of the gains he made last year.

Inflation would strike most cruelly at the elderly on fixed incomes and the poor—those whom the budget-busters say they want to help.

Inflation would also have a serious impact upon the U.S. position in world trade and money markets.

If the Government is forced to borrow more to pay for new programs, it will force up interest rates for the homeowner, the businessman, and everyone else.

Ultimately, a runaway budget could fuel a new cycle of boom and bust.

VI. The Budget Battle is a Fight Between the Average Taxpayer and the Special Interests

Every major public poll shows overwhelming support for President Nixon in holding the line on the budget and on taxes. The least favorable polls show the public supporting RN by 54%-39% the most favorable show that the public backs him by a 74%-13% margin.

Yet the voices heard most often on Capitol Hill are those of the special interests who want to preserve their special programs—the high-rolling lobbyists and the powerful boys in the back room.

Now is the time for the Congress to hear from the people.

SAMPLE SPEECH MATERIAL

Budget one-liners

1. Epithets for Congress: the buck-passing Congress . . . the 15 percent Congress (forcing a tax increase of that much) . . . the credit-card Congress . . . the maverick Congress (ignoring the will of the people).

2. This may look like a Santa Claus Congress—but it's got a bagful of bad news for the taxpayer.

3. By putting a spending ceiling on the Federal budget, we can put a roof over the head of the American taxpayer.

4. We're asking the Congress to help save money today so that the taxpayer can save money tomorrow. We're asking them to make the Government spend less this year so that the people can spend more next year.

5. Just because the Congress passes the buck doesn't mean the President has to spend it.

6. When the Congress can't add, Senator Scott has said, the President must subtract. Otherwise the budget will keep on multiplying and the taxpayer's dollar will keep on dividing.

7. When one man helps himself to another man's bank account, that's called embezzlement. But when a big-spending Congressman helps himself to the taxpayer's income with higher prices and taxes, then it's called "compassion."

8. Does the Congress really want programs of compassion for the poor, or does it just want to indulge its passion for poor programs?

9. The issue of "no taxation without representation" was settled in this country two hundred years ago—and it still holds today. No Member of Congress who read the election results last fall and the opinion polls this winter can claim he is representing the people if he forces a tax increase down their throats this spring.

10. The old three-part political rule of "tax and tax, spend and spend, elect and elect" is a formula for failure. Not very many Congressmen who try the first two in 1973 are going to manage the third in 1974.

11. The first of the big spenders in 1973 legislative session may wind up as the last of the big spenders after the 1974 elections.

12. All this talk about a Constitutional crisis is just a smokescreen—a frantic attempt to divert attention from the crisis of confidence in the ability of Congress to protect the American taxpayer.

13. Some people on Capitol Hill seem to have the power of the purse mixed up with the power to declare war on the American taxpayer.

14. When the report card on the budget comes in, if the Congress flunks arithmetic, the taxpayer is the one who will get a licking.

Phrases and One-Liners for Speeches

Some people call it the Battle of the Budget. It is falsely alleged to be a Crisis over the Constitution. In reality it is the Tangle over Taxes.

President Truman described himself as the only lobbyist and the only public relations man representing *all* of the people—and that is true of every president.

The people can veto a tax increase—and the time for them to send their veto message to Congress is now.

Now that the election is over, the old, recurring disease of "spending sickness" is once again reaching epidemic proportions with some members of Congress.

Some people describe this as a battle between the President and Congress. In fact, it is a struggle between Big Government—with costs running out of control—and the People. The President's effort to put our financial house in order puts him squarely on the side of the People.

Basic Spending Speech

For the past few weeks, all America has shared in the joyous welcome of our returning prisoners of war. Together we have celebrated the peace with honor that a united American people were able to achieve in Vietnam.

By standing together—by making it clear to the world that we would settle for nothing less than peace with honor—we achieved that great national goal.

Yet, even as we celebrate, a new conflict is shaping up on the home front. Fortunately, this battle is not going to be fought with bullets. Nevertheless, its outcome is of vital importance to the well-being of every American taxpayer whose earnings and savings are at the mercy of inflation.

I am asking about the Battle of the Budget—the war between those of us who believe that we must keep government efficient and keep taxes down, and those who want to go on increasing government spending and raising taxes.

The lineup of the opposing forces is clear. On the one hand, we have the big spenders—politicians and opinion leaders who want to expand the role of government across the board, and special interest groups that derive special benefits from the way some of your tax dollars are spent.

On the other hand, we have the majority of the American people—the average working people who are fed up with higher taxes and who are demanding, quite rightfully, that we put the brakes on excessive Federal spending. I am proud to be part of an Administration that sides with these people. I am proud to serve under a President who is taking his stand with the public interest instead of the special interests.

I am confident that, together, we can hold the line. Together we can make American government responsive to the wishes of the American people.

But, believe me, it is not going to be easy.

The facts are on our side. The people are on our side. Common sense is on our side. But we must not underestimate the strength of the special interests and the determination of the die-hard big spenders in Congress.

They know how the people feel, but they believe that they can steal an end run on public opinion. We must not let them get away with it.

As President Nixon has said, "The way to hold the line on taxes is to hold the line on Federal spending." It is as simple as that.

But holding that line means doing away with some of the favorite sacred cows that the Congress has funded and refunded again and again for decades.

As far as the public is concerned, these sacred cows stopped giving milk years ago. But each special program has a small but determined band of special beneficiaries—people who have been receiving something for nothing; people who have been getting a free ride at the taxpayer's expense. These free loaders are not going to be evicted without a fight.

Over the years they have built up powerful lobbying operations in Washington and powerful allies in the Congress. You can be sure that now, when their gravy train is about to be derailed, they are going to hit back with all the influence they can muster.

The stakes are too high for the silent majority to remain silent. The cost to the average American will be too great if the special interests prevail over the public interest.

As President Nixon has warned, if we do not restrain spending, if the budget cuts recommended by the Administration are reversed, it will mean a 15 percent increase in income taxes.

A 15 percent tax hike is too high a price to pay just to keep the fat cats purring and the big spenders on Capitol Hill writing blank checks at the taxpayer's expense.

There can be no question where the majority of Americans stand on this issue. In 1972 they overwhelmingly reelected a President who was pledged to keeping taxes down by keeping Federal spending down. It is interesting to note that no one—not even those politicians who are screaming loudest now for more government spending—ran on a platform of higher taxes.

Now the election is behind us, and some of the politicians who paid lip service to economy in government during the campaign are conveniently forgetting their pledges.

But the people have not changed their minds.

When a recent pollster, Market Opinion Research Corporation, asked a national sampling whether they favored the President's approach of holding down spending and taxes or the opposition approach of spending more Federal money, the people agreed with the President by 74 percent to 13 percent.

The majority is undoubtedly with us—standing behind the President's anti-inflation, anti-tax increase position. But, just as a New American Majority emerged from the last election on this issue, so, too, did a New American Minority—short on numbers but strong on influence.

They lost the election, but, now that the election is over, they want to steal the results; they want to ignore the public's mandate for responsible spending policies and revert to their old bad habits.

At this very moment, the Congress is considering 15 pieces of legislation that, by themselves, would raise Federal income taxes by 4 percent. If they win the skirmish on these fifteen bills, then the American people will have lost the opening round of the Battle of the Budget.

And, in any battle, once your troops have started running, it is twice as hard to rally them.

That is why it is so urgent that the New American Majority dig in now, before it is too late. That is why we must defeat the big spenders here and now, before the damage is done.

I fully realize that there is a case of sorts to be made for any legislation. Even the most wasteful, corrupt program in the world can be camouflaged with humane-sounding labels and specious arguments. But once public debate becomes bogged down in that swamp of excuses, slogans and appeals to misapplied generosity, the public good is obscured.

For nearly a generation, the American people have been taxed and overtaxed for programs that have not worked, behind a smokescreen of humanitarian rhetoric. This time, they've had enough. This time it isn't going to work.

Unnecessary programs that feed inflation and raise taxes are not programs that help people. They are programs that hurt people. And the people they hurt most are the little people—the blue-collar worker, the retired person on a fixed income, the harried housewife trying to make ends meet.

It is for their sake that the Battle of the Budget must be won. It is for their sake that the President is throwing everything he has into this fight to keep down taxes and fight back inflation.

One of the strongest weapons the President has is the support of these average people and the millions of others like them. If they speak up now—if they make their voices heard by writing to their Senators and Congressmen, they can help us win this battle for them. Remember, the big spending lobbyists are only effective working in the dark, behind closed doors. Once the public interest is aroused and the men on Capitol Hill have heard from the people, they will vote accordingly.

So I urge each of you—as taxpayers and as concerned citizens—don't sit this one out. Don't expect someone else to fight this battle for you.

Write your Congressman. Write your Senator. Have your friends and family write them, too. Let them know that you don't want to see the special influences win out at your expense. Let them know that you support the President's Budget to hold the line on taxes and spending.

If enough members of the American Majority do that, we cannot fail—and America—the America of today and the America of tomorrow, will remain a land of real and lasting prosperity.

Presidential Anecdotes

Throughout our history, at one critical turning point after another, the question on which the nation's future turned was the *relationship between the States and the central government*. Woodrow Wilson properly described it as "*the cardinal question of our constitutional system.*"

In most cases—in the 1780's and the 1860's and in the 1930's, for example—that question was resolved in favor of a stronger government at the Federal level. But as President Wilson went on to say, this question is one which "*cannot . . . be settled by the opinion of any one generation*, because it is a question of growth, and every successive stage of our political and economic development gives it a new aspect, makes it a new question."

Because America has now reached another new stage of development, *we are asking that "cardinal question" again in the 1970's*. As in the past, this is a matter beyond party and beyond faction. It is a matter that summons all of us to join together in a common quest, considering not our separate interests but our shared concerns and values.—General Revenue Sharing Message, February 4, 1971.

One of the most scholarly men ever to sit in the Senate of the United States was *Albert Beveridge* of Indiana. In a speech in Boston in 1898, he once discussed partisanship in these terms:

"Partisanship," he said, "should only be a method of patriotism. He who is a partisan merely for the sake of spoils is a buccaneer. He who is a partisan merely for the sake of a party name is a ghost of the past among living events. He who is merely the partisan of an ordinary organization is only a pebble in the sling of a boss. But he who is the partisan of principle is a prince of citizenship."

A partisan of principle—that is what our political system is all about; that is what transforms ordinary disputes into those great debates that illumine for years to come the issues confronting the Nation, in which men of principle test their principles and the Nation achieves a deeper understanding of itself. It also is what holds us together on those great questions on which our unity has kept us free.—LBJ Library dedication, May 22, 1971.

You know that the Declaration of Independence remains a living force in this Nation. You insist, and you should insist, that government derives its just powers from the consent of the governed.

And so you will not tolerate, and should not tolerate, just as the Founding Fathers would not tolerate these circumstances—and now I am going to quote directly from the Declaration of Independence,

Circumstances which "erected a multitude of New Offices, and sent . . . swarms of Officers to harrass our People, and eat out their substance";

Circumstances which altered "fundamentally the Forms of our Governments";

Circumstances which weakened our legislatures and imposed burdensome taxation.

Now, all of those circumstances happen to be from the "long train of abuses and usurpations" which Jefferson listed in the Declaration of Independence against the King of England.

But all of them, when you stop to think about them, also add up to a *not very exaggerated description of the current condition of the Washington bureaucracy*, the Federal system, and the State and local tax load here and now. And they convince me that the time has come now for a new American revolution, a peaceful revolution, to set things right, a peaceful revolution which will return power to the States, to the local communities, and to the people of America where it belongs.—DAR Address, April 19, 1971.

Suggested Anecdote

Let me tell you one story which illustrates why I'm supporting more decision-making at the local level.

A Mayor recently came to the White House to protest the proposed elimination of a federally financed project in his home town.

"Why don't you cover it with your revenue sharing money?" the Mayor was asked.

"Oh, we couldn't do that," he replied, "our taxpayers would never stand for it!"

So here is a project that local taxpayers would never support—even with shared Federal revenues. Yet everyone is happy or at least neutral about sup-

porting it with Federal grant money. This happens over and over, and—as a result—the general taxpayers are supporting all sorts of projects that local people would never finance on their own.

This is the kind of thing we must get rid of—if local people don't want it, why should all the people pay for it.

PRESIDENT NIXON'S STAND

"It is time to get big government off your back and out of your pocket."—
"The New Budget: Charting A New Era of Progress"—Radio Address, January 28, 1973.

Quotes From the Campaign: Winning a Mandate Against Higher Spending

"I oppose any new spending programs which will increase the tax burden on the already overburdened American taxpayer."—*Acceptance Address*: Republican National Convention, Miami Beach, Florida, August 23, 1972.

"Today, this Nation is operating under a system that is rooted in the values that built America:

We believe that an able-bodied person should earn what he gets and keep most of what he earns. We must stop increases in taxes before they reach the point that the American wage earner is working more for the Government than he is for himself."—Labor Day Radio Address, September 3, 1972.

"... I intend to make no promises and I intend certainly to approve no bills that would lead to a tax increase for the American people."—Remarks at Victory '72 Dinner, Los Angeles, California, September 27, 1972.

"... the Government should set policies which tax the working man and woman at a minimum, protect their purchasing power at a maximum, and ensure job access for everyone."—Statement on the Nation's Economy, Los Angeles, California, September 23, 1972.

"I shall fight every attempt by the Congress to bust that budget, because a big spending spree by the Congress will have only one result, a hangover of higher taxes or higher prices for every working family in America."—Radio Address on Federal Spending, October 7, 1972.

"What America wants today, at the State level, at the city level and at the county level, and I believe at the Federal level, is not bigger government, but better government..."—Remarks Upon Signing Revenue Sharing Legislation, Philadelphia, Pennsylvania, October 20, 1972.

"In the name of the taxpayers and the consumers of America, I say the time has come to stand up to the big spenders."—Statement at White Plains, New York, October 23, 1972.

"The days of the Congressional blank check for spending are gone. The people are rightly demanding an end to the government extravagance that has driven up taxes and prices. They are determined to put the brakes on the cost-of-living treadmill."—"One America"—Radio Address, October 28, 1972.

"I am committed to resisting with all the powers at my command any Federal spending which would confront us with the unacceptable choice between higher taxes which would take more of the worker's paycheck, and renewed inflation which would erode the buying power of that paycheck."—Statement at Saginaw, Michigan, October 28, 1972.

The Second Term: Exercising a Mandate

"... I offer no promise of a purely governmental solution for every problem. We have lived too long with that false promise. In trusting too much in government, we have asked of it more than it can deliver. This leads only to inflated expectations, to reduce individual effort, and to a disappointment and frustration that erode confidence both in what government can do and in what people can do.

"Government must learn to take less from people so that people can do more for themselves."—Second Inaugural Address, January 20, 1973.

"Cutting back on Federal programs does not mean cutting back on progress. In fact, it means a better way to progress. When we cut a million dollars from a Federal program, that money is not lost and its power to do good things eliminated; rather, that money is transferred to other budgets where its power to do good things is multiplied. Some of it will stay in family budgets where people can use it as they, themselves, see fit."—Radio Address: "The New Budget; Charting a New Era of Progress" January 28, 1973.

"In holding down spending, what is at stake is not just a big, impersonal Federal budget. What is at stake is your job, your taxes, the prices you pay, and whether the money you earn by your work is spent by you for what you want or by Government for what someone else wants."—Radio Address: "The New Budget; Charting a New Era of Progress" January 28, 1973.

"Nothing is easier or more pleasant, at least for a bureaucracy, than to spend money. But beyond some point, which our budget plans already reach, everything that the Government gives out with one hand it must take back with the other, in higher taxes or more inflation or both."—The Economic Report for 1973; The President's Annual Message, January 30, 1973.

"If we were to continue to expand the Federal Government at the rate of the past several decades, it soon would consume us entirely. The time has come when we must make clear choices—choices between old programs that set worthy goals but failed to reach them and new programs that provide a better way to realize those goals; and choices, too, between competing programs—all of which may be desirable in themselves but only some of which we can afford with the finite resources at our command."—State of the Union Message, February 2, 1973.

"The time has come for us to draw the line. The time has come for the responsible leaders of both political parties to take a stand *against* overgrown Government and *for* the American taxpayer. We are not spending the Federal Government's money, we are spending the taxpayer's money, and it must be spent in a way which guarantees his money's worth and yields the fullest possible benefit to the people being helped."—State of the Union Message, February 2, 1973.

"These old programs may have appealing names, they may sound like good causes, but behind the fancy label often lies a dismal failure. Unless we cut back now on the programs that have failed, we will soon run out of money for the programs that can succeed."—Radio Address: The American Economy, February 21, 1973.

"The only way to hold the line on taxes is to hold the line on Federal spending."—State of the Union, American Economy Message, February 22, 1973.

"The American people . . . deserve compassion that works—not simply compassion that means well. They deserve programs that say yes to human needs by saying no to paternalism, social exploitation and waste."—State of the Union, Human Resources Message, March 1, 1973.

"We are determined to get a dollar's worth of service out of every dollar's worth of taxes. The high cost, no-result boondoggling by the Federal Government must end."—Radio Address: Community Development, March 4, 1973.

"The time has come to reject the patronizing notion that Federal planners, peering over the point of a pencil in Washington, can guide your lives better than you can."—Radio Address: Community Development, March 4, 1973.

EXCERPTS OF LETTERS TO THE PRESIDENT

A long-time teacher and administrator in federal impact areas comments on the proposed budget cuts in education areas:

"This is one educator of twenty-five years experience that completely supports your position.

"There is no question but what education can tighten its belt and still do as good (possibly even better) a job than is currently being done. When you stress fiscal responsibility and accountability in education you are absolutely on the right track.

"Thanks for speaking out."

The owner of a small business in Texas sends this plea:

"Congressmen should be Americans first and politicians second. Please do what you can to reverse the trend before the trend reverses America."

A Mexican-American family write to congratulate the President on his efforts to weed out ineffective Federal programs:

"We have had ample opportunity to see at first hand the very flagrant abuse of these programs. We own and operate a successful Mexican restaurant . . . and we have tried to hire people from the poverty programs and we have been told that our jobs are not good enough for them. We have been told by people several times that they would much rather be on welfare than work."

A New Jersey woman writes:

" . . . Your philosophy as expressed in your '74 budget is like a breadth of fresh air . . . a breath of hope.

"We tend to think of federal money as largess to which we have not contributed—as though it were manna from Washington. You know and I know that we both pay for it in federal taxes."

She also wrote her Congressman to say:

"I urge you to support the President's budget. It is the first ray of hope that I see for my grandchildren, who, if this Nixon trend continues, will not be completely overwhelmed by central government and confiscatory taxes when they reach adulthood."

A school administrator from a small and economically poor area feels that the President's judgment is "fair and sound."

"I wish to express my opinion, and admiration to you, for your sincere and courageous stand regarding the freezing of congressionally-approved appropriations.

"... It is most likely that with renewed vigor and determination on the part of teachers, laborers, politicians, and executives... we can hold the line on taxes and still maintain excellent educational programs, high priority defense levels, and more than adequate domestic programs throughout our country."

A young, self-employed woman writes of the President's refusal to spend Congressional appropriations:

"I am very happy to hear that for once someone is not spending money.

"We know taxes are necessary. What is very discouraging... is to read how our tax dollar is wasted....

"It is so refreshing to hear of some politicians (especially our President) who is trying to hold down the spending; and that is the point of my letter."

A librarian with eight years experience in State-level administration of library services offers his encouragement:

"I should like to say that your budget recommendations for libraries are reasonable, logical and necessary....

"... Library service is properly a state and/or local responsibility and not that of the Federal Government.

"... If information and ideas as offered by libraries, are shown to be important, people will vote to tax themselves—will select in a free marketplace—to have library service."

A Louisiana man cites another example of the failure of federal programs:

"I worked for over a year at one of the anti-poverty programs here in New Orleans, and it was an almost complete waste of taxpayers' money. At present, I am out of work due to these cuts, but I still feel that they were long overdue."

Another endorsement for the Nixon budget cuts comes from a Texas realtor:

"One of your budget-cutting actions will have a direct effect on the real estate profession of which I am a member; but for the good of the nation I believe this and other budget-cutting actions are necessary."

An Ohio educator writes:

"In my own area, education, billions of dollars have been spent with little or no appreciable gain in quality. Having institutions solicit grants for predetermined priorities which someone sets in Washington is an absurd approach to improve quality in educational systems. The end result is that institutions play a game... going after these grant funds with little regard for matching their needs to the grants."

A Texas farmer writes:

"While some of the officials of farm groups have hollered about the cutback of funds, I have heard few complain about the demise of the old depression-born AAA (REAP); most think it didn't amount to much anyway, per farmer."

A former Colorado Welfare worker writes:

"At the time these programs were established I was working with the State Department of Welfare in Colorado....

"Social workers were stumbling over other workers in the deprived areas... (N)ew workers... in the field. So many of the services were being duplicated and... the effectiveness of both programs was hampered."

An Iowa farmer writes:

"For the past two years we have benefitted by full participation in the REAP program of having terraces constructed on our farmland. We had planned on continuing this year and in the future... But, if by foregoing or postponing this construction work, will contribute toward halting inflation, we are not going to complain."

POLLS SHOW STRONG PUBLIC SUPPORT FOR THE PRESIDENT

Every major public poll shows overwhelming public support for President Nixon's fight to hold down taxes and inflation.

The most impressive results were in a recent nationwide poll by Market Opinion Research showing that by a 74-13 margin, the public would rather hold down taxes than spend money on more Government programs. A Sindlinger Poll found much the same thing: 71% would be unwilling to pay the extra 15% in taxes in order to restore the President's budget cuts.

Here is a survey of all recent polls:

Gallup

By 54-39%, people back RN on holding down spending and taxes versus Congressional effort to spend more money on social programs.

Strongest support comes from farmers (68-24), and the \$10-\$15,000 income bracket (59-35). Both the \$3-5,000 income group and the \$5-7,000 group support RN by 49-41. Only dissenters are those under \$3,000 income (44-49).—(Poll taken Dec. 8-11, 1972)

NOTE.—Gallup's latest poll also finds that the *public gave the President a 65-25 approval rating on the way he is handling his job.* In the South, approval was recorded at 71-19.—(Poll taken Feb. 16-19, 1973)

Harris

By 59-28%, public agrees that "President Nixon is right in saying that inflation cannot be controlled unless Federal spending is cut to bone."

In same poll, 15% thought it "very likely" RN could prevent budget-busting, 42% "only somewhat likely", and 34% "highly unlikely".

The public also supports RN on a number of individual spending issues: increasing military pay for a volunteer army (68-24), eliminating Model Cities (48-31), expanding aid to minority businesses (48-38), and cutting back urban renewal (43-42).

Disagreements with individual cuts proposed by RN: cutting back aid for hospital construction (24-70) and requiring some payments by the elderly for Medicare (5-92).

Other questions asked by Harris so badly misstated the President's position that they are not repeated here. See the *WS Journal* of February 28 for an attack on the Harris polling methods.—(Poll taken Feb. 14-17, 1973)

An earlier Harris poll found that 74% believe *Federal spending is the greatest single cause of inflation.*

The same poll showed strong support for increased spending on curbing air and water pollution (66-27), education (66-27), and helping the poor (62-21).

The public opposed greater spending on helping State and local government (41-51), improving highways (37-50), defense R & D (34-55), farm subsidies (22-69), and welfare (22-69).—(Poll taken Dec. 17-21, 1972)

Still a third Harris poll shows:

By 51-37%, public agrees that "Congress is wrong in opposing the President's spending program and should cooperate more with him."

By 59-40, public gives RN positive marks on first four years.

By 45-38, public gives negative marks to Congress for its performance.

By 44-41, public supports RN on impoundment even if Congress tries to override with specific legislation.—(Poll taken Feb. 14-17, 1973)

Market Opinion Research

By 74-13, public favors keeping taxes down versus more government programs.

By 44-31, public thinks Congress should sustain RN vetoes on spending bills that would lead to higher taxes.

By 47-23, public supports RN on impoundment question.—(Poll taken Jan. 12-14, 1973)

Sindlinger

By 65-22%, public agrees with RN on holding down Federal spending.

71% would be unwilling to pay 15% more in taxes in order to restore RN's cuts in the budget.

Only 16.8% would be willing to accept the extra tax load.—(Poll taken Feb. 26-27, 1973)

EDITORIAL SUPPORT OF THE PRESIDENT'S BUDGET

"On the first issue of fiscal impact, the President's budget deserves praise . . .

"There can be little doubt that the President and his aides have proposed many necessary and long overdue cuts . . .

"Congress must set its own house in order, especially in respect to controlling its budgetary and revenue procedures."—The New York Times, January 30, 1973.

". . . if the nation's lawmakers order 'more of the same' spending programs of the past, then they must be prepared to accept the full blame for the higher taxes, inflation and profligate government waste certain to result from maintenance of the status quo."—Oakland Tribune, January 31, 1973.

". . . Congress is so intent on protecting its 'prerogatives' that it wants to impose its will on the Executive, even if that means taking the wrong position where the President has taken the right one."—The Wall Street Journal, January 30, 1973.

". . . citizens should take President Nixon's advice to heart: stop pressuring congressmen to spend and spend and spend. Less heat from home would help the solons avoid profligate spending."—Argus-Leader (Sioux Falls, S.D.) January 30, 1973.

"President Nixon's 1973-4 budget is a healthy exercise in challenging some of the assumptions that underlie the enormous pressure of more and more programs, more and more federal spending in America."—The Courier Journal (Louisville, Kentucky) January 31, 1973.

"President Nixon's budget for fiscal 1974 is a declaration of war on excessive federal spending. . . . Defeat will result in higher taxes and renewed inflation, a regressive tax that hits hardest at those who can least afford it . . .

"The President's budget is a good starting point for bringing government spending under control. Mr. Nixon is leading a good crusade, one that is worth fighting because success will redound to the benefit of every American, rich and poor alike."—Chicago Tribune, January 30, 1973.

"Congress has its great constitutional role to defend in the setting of taxation and expenditure. But the President has accused it of dodging the hard questions, voting always for higher spending and lower taxes. He has a point."—The Washington Post, January 30, 1973.

"The general direction of President Nixon's budget is sound and sensible."—The Des Moines Register, January 30, 1973.

"Certainly nobody will quarrel with his (the President's) insistence there is considerable fat in the federal government which can and should be pared away."—The Sacramento Bee, January 30, 1973.

"(The President) put the heat on Congress with undeniable contentions about excessive taxation destroying initiative, big government threatening to get out of hand, and the need for more local control over federal spending."—The Miami News, January 29, 1973.

". . . President Nixon . . . is determined to make the right policy responses and prevent excessive government spending from wiping away the gains of 1972, and the bright economic promise of 1973 . . .

". . . the roller coaster of runaway government spending takes everyone for a ride—every worker, every employer, every retiree—and it's a ride that means a sick feeling on the way up to accelerating inflation and a sinking feeling on the way down to heavier tax burdens and an economy that could easily go off the track."—The Detroit News, January 30, 1973.

". . . when the profound significance of Mr. Nixon's budgetary philosophy has seeped into the taxpayer's consciousness, he is certain to react with relief and exultation. A federal budget that emphasizes the interests of the person who provides the money? There should be dancing in the streets."—Richmond-Times Dispatch, January 31, 1973.

"The President is right when he makes the point that Congress, if it wants to spend more, has no responsible choice but to vote more taxes. . . .

"The really radical thing about Mr. Nixon's new budget, however, is not the spending cuts as such but its frank attempt to restructure the way social programs in this country are conceived, paid for and administered."—Los Angeles Times, January 30, 1973.

"At long last, the ax is beginning to fall on some of the budgetary fat that has helped to build up record-breaking budget deficits in recent years."—The Richmond News Leader, January 11, 1973.

"... there is already some evidence that President Nixon meant what he said in his inaugural speech about letting the people do more for themselves."—The Dallas Morning News, January 30, 1973.

"The President is trying to bring some sanity into the budgetary procedures. It is an exercise Congress should prescribe for itself."—Asbury Park Evening Press, (New Jersey), February 5, 1973.

"... it is no longer enough for politicians and government officials to show that they have spent taxpayers' money for approved and noble purposes. They are now being asked to give evidence that social programs produce results. And what evidence they have shown has not proved convincing."—The Atlanta Constitution, February 8, 1973.

"Somebody had to blow the whistle to prevent a runaway deficit inviting runaway inflation. If Congress wouldn't do it, who besides the President could?"—Chicago Daily News, February 8, 1973.

"Congressional splurging is partly ideological in origin, partly old-fashioned pork-barrel filling, favoritism and log-rolling and partly plain vote-buying of the kind described by New Dealer Harry Hopkins in summing up the FDR Democrats' success formula: 'Tax, tax, tax. Spend, spend, spend. Elect, elect, elect.'"—The Indianapolis Star, February 8, 1973.

FACT SHEETS

Budget Cuts Prevent 15% Increase in Taxes

President Nixon is on the side of the average taxpayer. Since taking office, he has brought down individual income taxes by \$18.9 billion; corporate taxes, by contrast, have increased by \$4.9 billion.

President Nixon's actions to reduce Federal spending will produce a savings to the American taxpayer of \$55 billion over the three year period 1973-1975.

Without these savings, maintaining a balanced budget at full employment would require a 15% increase in personal income taxes.

Government's bite of the taxpayer's dollar is already too large, and some in Congress want to make it larger. The Federal Government today takes over 20 percent of all personal income; in 1950, it took only half that.

"It is time to get big government off your back and out of your pocket." Richard Nixon, January 28, 1973.

THE 15 PERCENT STORY IN FIGURES

Fiscal year:	Budget proposed by RN (in billions)	Budget without RN cuts	Savings under RN	Required tax increase without savings (percent)
1973.....	\$250	\$261	\$11	\$11
1974.....	269	288	19	18
1975.....	288	312	24	19
Total.....			55	15

Note: The required tax increase is a surcharge. It is based on estimates that individual income taxes will total \$99,000,000,000 in 1973, \$112,000,000,000 in 1974, and more than \$125,000,000,000, in 1975 (the 1975 figure is a projection based on the 1973-74 trend).

The "Impoundment" Issue

In order to save taxpayers' money and hold down prices, President Nixon has decided not to spend certain Congressionally-appropriated funds. Some of these funds would otherwise be for wasteful projects, and all of them would help to bust the budget.

Historical precedent for withholding funds is extensive. It has been done as far back as the Administration of Thomas Jefferson. Recent examples: HST (supercarrier); Ike (ABM system); JFK (B-70 bomber); LBJ (highway funds); Nixon (REAP funds).

George Mahon, Chairman, House Appropriations Committee said (1969): "... an appropriation does not constitute a mandate to spend every dollar appropriated. This is a generally accepted concept... I believe it is fundamentally desirable that the Executive have limited powers of impoundment

in the interests of good management and constructive economy in public expenditures."

The money now being withheld by the Administration is only two-thirds of the level held back in the last Johnson year. The Nixon average of five percent is less than the 5.4 percent of the budget LBJ held back and much less than the six percent JFK held back. (see chart)

The \$8.7 billion withheld today by President Nixon really amounts to \$8.7 billion in tax savings.

RESERVES AND TOTAL OUTLAYS, 1959-73

[Dollar amounts in billions]

Time of survey	Total unified budget outlays (1)	Money reserved (2)	Percentage reserved col. (2) divided by col. (1)		Average percentage
			(3)	(4)	
June:					
1959.....	\$92.1	\$6.9	7.5	} Eisenhower.	
1960.....	92.2	8.0	8.7		
1961.....	97.8	7.6	7.8		
1962.....	106.8	6.5	6.1	} Kennedy, 6.0.	
1963.....	111.3	4.5	4.0		
1964.....	118.6	4.2	3.5		
1965.....	118.4	5.6	4.7	} Johnson, 5.4.	
1966.....	134.7	8.7	6.5		
1967.....	158.3	10.6	6.7		
1968.....	178.8	9.9	5.5	} Nixon, 5.0.	
1969.....	184.5	9.6	5.2		
1970.....	196.6	11.5	5.8		
1971.....	211.4	12.1	5.7	} Nixon, 5.0.	
1972.....	231.9	10.6	4.6		
Jan. 29, 1973.....	249.8	8.7	3.5		

† Indicates estimate.

Defense Spending: At the Razor's Edge

The fashionable idea that the defense budget is bloated at the expense of spending for human needs is a pernicious myth which has no foundation in fact. The defense budget has been reduced to its lowest level—in terms of buying power and percentage of Gross National Product—in almost a quarter of a century. We're at the razor's edge. Any further cuts in the current, bare-bones defense budget would weaken the United States at the very time it is realizing the greatest negotiating breakthroughs of its history, including the second round of SALT and the upcoming Mutual Balanced Force Reduction talks.

The proposed defense budget is at 6.2 percent of our GNP, the lowest since pre-Korean War days and drastically below the 8.8 percent defense spending took from the GNP in 1964, or the 9.4 percent it took in 1961.

In fiscal 1968, defense spending consumed 43.95 percent of the Federal budget. In fiscal 1974 it would take only 29.2 percent of the budget. Compare this to the 64 percent which defense took from the fiscal 1953 budget.

While the fiscal 1974 defense budget is only \$600 million more than it was six years ago—i.e., about the same—Federal spending for social and economic programs has more than doubled, from \$72.8 billion to \$153.4 billion.

The national defense share of total public spending (Federal, State and local) is at the lowest level since 1940.

Military and related civil service manpower has been reduced by 1,588,000 or 32 percent, in the last six years.

President Nixon has eliminated the armed forces draft, and one cost of achieving an all-volunteer force is that over half of today's defense budget is for personnel. Personnel costs have increased by over \$11 billion since 1968.

In terms of constant buying power, there has been a 31 percent cutback in the national defense budget since fiscal year 1968—hardly a misallocation of priorities.

Phase III

Phase III was created January 11, 1973 by Executive Order 11695, with a Cost of Living Council reestablished at Cabinet level. Its goal is to reduce the inflation rate to 2.5 percent or less by the end of 1973.

Phase III keeps mandatory controls in food, health, construction, and petroleum industries (see Q & A on food prices on the following pages).

All other sectors are to be guided by a 5.5 percent wage-salary standard and a 1.5 percent price standard—and no wage or price increase should be implemented which is unreasonably inconsistent with these guidelines.

The Cost of Living Council has a “stick in the closet” to reimpose mandatory controls on voluntary sectors of the economy which do not comply. On March 6, the stick was used against the oil industry.

The prices of raw farm products have not been controlled under Phases I, II and III—only after the first sale. Controls at the farm level would discourage farm production and cause shortages and black markets. The solution, instead, is to increase food supplies in order to reduce prices.

Under Phase II, more than half of the nation's small rental units were decontrolled. An Internal Revenue Service investigation under Phase III has indicated there is not a nationwide, only a local, rent increase problem. Local rent controls and an anticipated increase in new building starts in 1973 should eliminate the problem.

The present, highly successful voluntary policy on interests and dividends will be continued under Phase III under the direction of the Committee on Interest and Dividends chaired by Dr. Arthur Burns of the Federal Reserve Board.

Phase II was dropped and the Price Commission and Pay Board were let lapse because the results justified a relaxation of controls. Under Phases I and II, inflation declined from some 6 percent to less than 3 percent and employment increased along with real, spendable income.

Phase III is, as has always been intended, the next step toward stabilization of the economy.

Phase III Controls.—It is as though we were saying, “In Phase II the Government specified how fast you could drive on the highway, and before you could change your speed, you had to go to Washington for permission. In Phase III we are saying the rules are the same, the traffic laws are the same. If the speed limit is 35 and you are doing 30, you can self-administer yourself up to the limit. But if you speed, you are going to get picked up, and if you are a drunken driver, you are going to lose your license.” We can do that, and we will do that.

QUESTIONS AND ANSWERS

Compassion for the Poor and Elderly

Q. It seems to me that at the very heart of the Nixon budget is a lack of compassion and generosity for the poor. How do you respond to that charge?

A That charge reflects a basic misunderstanding of the President's proposal.

What he wants to do is to cut out the programs that don't work so that we can fund the programs that do.

One of the President's major objections, for instance, is to programs that have splendid names but really fail to help their intended beneficiaries. The Community Action Program in OEO is a good example: it spends 80% of its funds on people paid to help the poor and only 20% on the poor themselves. That's a “trickle down” program that the President wants to end; he wants to get the middle men out of government and deliver assistance directly to the people themselves.

It's also important to keep the Administration spending in perspective: since President Nixon took office, spending on human resources has nearly doubled—now totaling \$125 billion.

We are budgeting:

66% more to help the poor than was the case four years ago;

67% more to help the sick;

71% more to help older Americans;

and 156% more to help the hungry and malnourished.

But let's return to the main point—a lesson the Nation has learned the hard way over the past few years: *Compassion* for people should never be confused with a *passion* for spending.

Our problems can't be solved by simply throwing dollars at them. We must throw out those things that won't work so that we can concentrate on those that do. And that's what President Nixon is doing this year.

Economic Impact on Poor

Q. With all the budget cuts and the closing down of programs such as Community Action, what do you expect to happen to the economic position of the poor as a result of Administration policies?

A. We expect our policies to have a very favorable impact on the economic position of the poor, and specifically to reduce further the number of persons classified as being in poverty. By far, the most important thing we can do for the poor is to make job opportunities available to them, and that is what we are doing. In the past year, employment has increased by some 2½ million persons, and unemployment has declined by 570,000. We expect further strong increases in employment during the year ahead.

There are many other ways that this Administration's policies have helped the poor. One particularly significant thing was the tax cuts that have been made in 1969 and 1971. A typical family had its Federal income taxes cut by about 13 percent, but the lowest income class paid 82 percent less tax and the next lowest class paid 43 percent less in taxes. Since most of the poor have some income, this was a very substantial benefit for them.

Another policy action of the Nixon Administration that should be mentioned was the end to the draft. The way the draft was handled, with exemptions for college students, etc., a large proportion of draftees were from poor families, who could not afford college. And since military pay was previously far below the wages that draftees could command in the civilian employment market, the draft represented in effect a substantial tax on the poor.

In addition, no one should get the idea that the cuts in various Federal spending programs hurt the poor and disadvantaged. We have ended some programs that were designed to help the poor, but the fact was that those programs were not working. They were supporting a large number of social workers, but not much of the help actually got through to the poor.

If you look at the budget as a whole between 1969 and 1974, budget outlays for human resources have increased 97 percent, as compared to an increase of less than half that for the budget as a whole. Human resources spending now accounts for nearly half the Federal budget dollar compared to about one-third of the total in 1969.

Some of the particular programs in the budget that have been increased include :

1. Federal outlays for food assistance will be up from \$1.2 billion in fiscal year 1969 to \$4.1 billion in 1974.
2. Public assistance and social service programs have risen over that same time span from \$5.2 billion to \$14.0 billion.
3. Social Security benefit payments will have nearly doubled between fiscal year 1969 and 1974.
4. Medicare and Medicaid payments have also nearly doubled over that period.

Defense Spending

Q. If it's so important to hold down spending, why don't we slice \$10 billion out of the Defense budget?

A. There are two answers to that question.

First, we have already made such large reductions in the size of our armed forces that we're down to the razor's edge.

Since President Nixon took office, the number of men and women in uniform has been reduced by a third (from 3.5 million to 2.2), and we now have the smallest armed force since 1950, the year before we were forced into the Korean War.

Spending for defense also takes less out of our economy than it has in nearly a quarter century.

Over half of the defense budget that we do have today is devoted to personnel costs. That's the price of an all-volunteer force, and as a recent Harris poll showed, the American people are willing to pay that price in order to end the draft.

So we have already made significant cuts. All the fat is gone.

And this leads to *my second point*; if we now cut into the meat, we'll jeopardize our chances for successful negotiations with the Russians and Chinese.

1972 was one of the most significant years in the history of American diplomacy: opening of the doors to China, an arms limitation agreement with the Russians, and the final breakthrough—Vietnam.

But President Nixon is convinced, as we all should be, that we were successful only because we were strong.

In diplomacy, you never get anything unless you have something to give away. If we give away our strength unilaterally—without bargaining for something in return—we will destroy all incentives for the Russians in future negotiations.

This year we are embarking upon even more critical negotiations than in the past—SALT II and talks on reducing the mutual balance of forces in Europe (MBFR). There is no better way to doom those negotiations and future hopes for peace than by slicing \$10 billion from a defense budget that is already down to the minimum required for our security.

Food Prices

Q. Are there any realistic reasons—in the light of recent figures—to expect food prices to stabilize or drop in the foreseeable future?

A. There is reason to believe that in the second half of 1973 food prices will level off and remain stable, if not go down.

The principal reason is that the Nixon Administration has taken a series of steps to attack the root cause of rising food prices—a supply of food inadequate to meet growing demand.

These steps consist of:

- Encouraging farmers to put more acreage into production of both crops and livestock.

- Increasing the amount of meat and dried milk that is imported from abroad.

- Reducing government-owned stockpiles of grain.

- Terminating Government loans on farmer-owned stocks of grains from crops of 1971 or earlier, and encouraging farmers to sell the stock they own.

In addition, while most price and wage ceilings have been lifted as the President's economic reforms enter Phase III, they have *not* been removed from the food manufacturing and processing industry.

Food processors are still directly required to obtain government permission for any price increases which must first be justified.

Food retailers are still being held to the same profit markups they were under Phase II of the economic controls.

And both processors and retailers must continue to live under wage ceilings imposed during Phase II.

There are, of course, no controls on raw agricultural products because this tends to discourage production and supply. Controls on these would only make prices go higher.

But with the lid on food processing and retailing and much greater production being encouraged, supply should soon begin to match demand and that means a halt in runaway price increases, without, incidentally, any loss in farm income.

Q. What specific steps have already been taken to stem the rise in food prices?

A. Action is being undertaken on many fronts to arrest inflation in costs of agricultural and other food products, and to restore stability to the consumer marketplace. Specifically, the Administration has:

- Established the Food Industry Wage and Salary Committee—consisting of representatives of the public, labor and management—to foster responsible wage behavior in the food industry.

- Released some 40 million acres of farmland formerly kept out of production under Government “set-aside” programs, to increase feed and food production.

- Utilized “set-aside” acreage for haying and grazing.

- Disposed of nearly all grain stocks owned by the Community Credit Corporation.

- Increased rice acreage allotment by 10 percent.

- Announced dairy product support program at legal minimum of 75 percent of parity.

- Nonfat dry milk import quotas were raised in January 1973 to permit the importation of an additional 25 million pounds.

- Requested Tariff Commission to consider a 50 percent increase in cheese import quotas.

- Removed all direct export subsidies on food commodities.

- Removed all import quotas on meat for 1973.

Created a Cost of Living Council Committee on Food to watch the situation and to recommend action the Government should take to reduce the cost of food.

Established a Food Advisory Committee composed of representatives of various segments of the food sector of the economy to recommend actions by the Government and the private sector to hold down food prices.

Assistance for Veterans

Q. It seems to me that the first victim of the Nixon budget cuts is the Vietnam veteran. What are you doing for these men?

A. No one is closer to the President's heart than the veteran of the Vietnam era, and he is doing everything he can to insure that they have good jobs, assistance for their education, and the very best medical treatment that can be found:

Jobs:

Through the President's leadership, the unemployment rate for young veterans (20-29) has been dramatically reduced from 8.3% in the last quarter of 1971 to 5.7% in February, 1973. That's still too high, but it is the same rate that we now have for non-veterans of the same age.

In June, 1971, the President announced the formation of the Jobs for Veterans program, with a target of providing 1 million Vietnam-era veterans with jobs and training placements within a year. That goal was met and surpassed by 300,000 and we are now working toward a two-year total of 2.6 million.

Jobs have increased so rapidly, in fact, that during the last fiscal year, 25% of all job openings were filled with Vietnam-era veterans—a group who represented less than 5% of the available labor pool.

Education:

The level of educational and training benefits available to individual veterans has been increased by 70% since the President took office.

Total Federal outlays for veterans' education and training have quadrupled.

Today a single veteran is eligible for \$220 in monthly payments in order to continue his education.

Medical Treatment:

This Administration has brought hospital and extended care treatment—good treatment, too—to over 80,000 more veterans than ever before.

Average compensation benefits have been increased by over 20% and pensions by 16%.

Housing Assistance:

The number of housing loans guaranteed by the Government for our veterans has increased by 64% since the President took office.

In 1974 alone, the VA will help 360,000 veterans purchase their homes.

This is a very impressive record of assistance for all who have served in the Armed Forces. And it's impressive because President Nixon has refused to stint our veterans.

As the President has said, he is committed to the proposition that the gratitude and respect we feel for our 29 million veterans should be reflected first and foremost by the Government's treatment of them.

North Vietnam Aid

Q. If it's so important to hold the line on Federal spending, why should we give any aid to North Vietnam?

A. It's important to remember that no request for aid has yet been made by the Administration and will never be made unless the North Vietnamese live up to the initial parts of the agreement, returning all of our POWs.

Until that happens, I would ask that we all keep an *open mind* on aid to Indochina.

I would also ask that you keep these points in mind:

First.—Many of us can remember the end of World War II when there was such hostility in America toward the Japanese and the Germans. Many people here did not want to help them, but under the leadership of Harry Truman, we did. And all of us would agree today that America's assistance for Japan and Germany was one of the very best investments the U.S. ever made.

Second.—You have to recognize that the amount of money involved in assistance to Indochina will be very small compared to the costs of the war. *The war cost the American taxpayers close to \$180 billion.* While we don't yet know how much might be required for reconstruction and rehabilitation of Indochina, I'm confident that it will be far smaller, and I am also hopeful that this will be a joint effort with other countries.

Thirdly.—And most importantly, aid to all of Indochina, as the President has said, is primarily an “investment in peace.”

President Johnson first recognized the importance of this investment when he promised a program of post-war aid for Indochina in the mid-1960s. President Nixon has also recognized its importance, and in the agreement signed in Paris, we committed ourselves to a program of aid so long as the peace is maintained.

Now we should follow through on that commitment because our aid to Indochina will be the very cement that holds the peace together.

Tax Loopholes

Q. Why can't we raise the money for the big spending programs by closing what some Congressmen claim to be “tax loopholes”?

A. Even the term “tax loopholes” has taken on a propaganda significance that outweighs its real meaning. What is, in fact, a loophole? It could be argued that the biggest loophole of all in the national economy is excessive Federal Government spending. This is what really punctures family as well as governmental budgets in the form of higher taxes or uncontrolled inflation.

Presumably, tax loopholes are tax deductions. It would be possible for the Federal Government to raise a great deal of money by making home mortgage interest payment non-deductible. But what would that do to the millions of people who have bought homes and are paying off the mortgages, to the millions who hope to have homes some day, and the millions of men and women who work in the home building and related industries?

Similarly, it would be possible to make charitable contributions non-deductible. But what would that do to the whole structure of United States philanthropy and the concept of giving?

Oil and natural gas depletion allowances came into the spotlight during the last election campaign, when critics claimed these were excessive. But these are valuable incentives for exploration for oil and gas deposits, and today we have a crisis of not enough energy, not too much.

Corporate depreciation is another heavily criticized item—but can anybody doubt after the latest monetary and balance of payments crisis, after two successive devaluations of the dollar, that United States industry needs to become more modern, more competitive—and it needs the latest equipment to achieve this.

The Nixon Administration has always stood for tax reform—on its own merits and not in response to ideological criticism, nor to find money to finance sacred cow spending programs.

Since 1969, the Administration has brought individual income taxes down by \$18.9 billion; corporate income taxes, by contrast, have increased by \$4.9 billion; excise taxes, mostly on individuals, have gone down by some \$3.5 billion.

Men and women with adjusted gross income in the \$10,000 to \$15,000 range are now paying 13 percent less income taxes now than before the Nixon tax reforms of 1969 and 1971 took effect; men and women with incomes of \$100,000 or more are paying 7½ percent more.

A family of four with \$5,000 income is paying 66 percent less in income taxes, and a family of four with a \$10,000 income is paying 26 percent less in income taxes.

The President has thus already brought us a large dosage of true tax reform, and we can expect him to seek additional reform this year by seeking some relief for the elderly from property taxes and credits for those parents who choose to send their children to non-public schools.

What is needed now in the Congress is a closing of the biggest loopholes of all—excessive Federal spending—and to get behind the President in his fight to hold off increased taxes or a new wave of vicious inflation.

Government-Caused Inflation

Q. In past years President Nixon has been willing to run up large deficits. This year he wants to hold back. Why?

A. I'm not much of an economist, so I'll try to explain the point in simplest terms.

Soon after he took office, President Nixon decided that the soundest way to decide how much the Government should spend was to follow the full employment budget principle. Under that principle, spending should be limited to the amount of revenue the Government would receive if we had full employment.

In years when we have less than full employment, that means that we spend more than we take in, and the extra spending helps to stimulate the economy. It creates additional demand and thus helps to create new jobs. This was the case during the early 1970s, and the Government willingly ran up a deficit.

Now, however, we are in an economic boom and the economy is moving toward full employment. Once again, President Nixon has chosen to peg spending to full employment.

Unless we raise taxes, we shouldn't spend more than \$250 billion in this fiscal year because if we do, we will overstimulate the economy.

Too much money would be chasing too few goods, and the price of the goods would rise. This would be a classic case of demand-pull inflation.

We see something similar happening now with food: demand is greater than supply, and prices are going up. That's why the President is doing everything he can to increase food supplies.

In making our budget decisions, we must now demand down in order to keep prices down.

Let there be no doubt that if the Congress forces spending up more than \$54 billion beyond the President's budget for FY73-75, Congress will also set off a new round of inflation.

CRIME AND DRUGS

I. The President's Anti-Crime Efforts Are Succeeding

(1) National crime rate increase for fiscal nine months of 1972 was only 1%—the lowest since the FBI began issuing quarterly reports twelve years ago, and net decrease are in local crime rate in over half of major U.S. cities.

(2) Seizures of narcotics and dangerous drugs increased by over 400% between 1969 and 1972, and convictions obtained against organized crime increased by 50% and indictments doubled since 1969.

(3) The President has cut District of Columbia crime in half since taking office. The latest D. C. crime rate is lowest since November 1966.

II. The Agenda Ahead

President Nixon has asked for a federal drug budget exceeding \$780 million with over 60 percent going to prevention and treatment, and the remainder going to law enforcement. He has asked for \$1.2 billion for aid to state and local governments to improve their police, courts, and correctional systems.

In his State of the Union Speech on Crime and Drugs, March 10, 1973, he proposed legislation to:

Provide minimum mandatory sentences ranging from five years to life imprisonment without parole for heroin traffickers.

Restore the death penalty for treason, and other war related offenses, and murder either by itself or in the course of another federal offense.

Revision of the entire Federal Criminal Code to modernize and strengthen it to close loopholes and tailor our laws to present day needs.

Improve the Law Enforcement Assistance Administration through Special Revenue Sharing so that state and local government can decide for themselves the most effective crime prevention techniques.

The President has asked citizens to learn about and support their communities crime prevention programs, and to demand firm actions against criminals from their judges and elected leaders.

CRIME AND DRUGS

For much too long, society's outlaws, the dope peddlers, terrorists, cop-killers and fire-bombers have abused our criminal justice system to make crime pay—now they are going to have to pay for their crimes. President Nixon has drawn the line against America's criminal element and the hoodlums who have created a reign of terror on our streets.

Because of the leniency of judges who turn heroin pushers back to the streets, the drug business has remained a profitable one for those who ruin the lives of others. With his proposed new legislation, President Nixon is calling for minimum mandatory sentences from five years to life imprisonment for heroin traffickers.

The President is also going to ask for legislation to require Federal judges to consider the danger to the community before freeing on bail a suspect for heroin trafficking. Up to now, these sellers of death and horror have been taking advan-

tage of loosely-drawn bail requirements and soft-touch judges to return to their profitable peddling.

Many social theorists who confront crime in their ivied hideaways, but rarely in the streets, consider the death penalty to be ineffective as a deterrent to certain crimes. President Nixon is proposing to remove the doubt which has shrouded the uses of the death penalty and will recommend its reinstatement for specific crimes so that the potential killer will know that if his intended victims die, he may also die.

Toleration of crime is society's way of being unjust to itself. But it must not be tolerated, and it must not be condoned or encouraged by the fuzzy thinking which believes more in the rights of the criminal than in the rights of law-abiding people.

President Nixon's forthright actions in the last four years have begun to have an impact, but more action is required. We can never rest unless freedom from fear is a fact instead of a goal. The permissive indulgence of criminal excesses is but another way of acquiescing in the slow deterioration of our social fabric. Because the President has the courage to take a firm and unequivocal stand, that deterioration is going to be caught before it consumes us all.

PROGRAM FAILURES IN BRIEF

Here are some of the programs that President Nixon has decided must be cut back, eliminated or reformed.

The war on poverty's *Community Action Agencies*, which spend an estimated 78 percent of their Federal funding on salaries and administrative overhead.

Housing subsidies, which do not measurably improve the living conditions of poor people but which do line the pockets of bankers, builders, developers and speculators.

Welfare payments (AFDC), 29 percent of which are too high, too low or going to the wrong people.

The hospital construction program (Hill-Burton) which continues to build facilities when an average of almost 25 percent of our hospital beds lie empty, contributing significantly to the rising cost of health care.

Teacher education subsidies which continue although there are tens of thousands of qualified teachers looking for jobs.

Urban Renewal, which has resulted in profitable land and real estate speculation and displaced over one million people from their homes but has led to little, if any, improved urban living conditions.

Rural Electrification Administration 2 percent loans, which are subsidized by all taxpayers for rural consumers of electricity although 98 percent of our farms are already electrified.

Rural Environmental Assistance (REAP), which gives cash payments to a few farmers (20 percent) for soil and water conservation practices which would really be undertaken by the farmers on their own because they are either profitable or are simply good farming practices.

Impact Aid, which is a windfall for suburban school districts where many Federal workers live and already pay property taxes for the schools.

Advance Medicare payments, which have resulted in more than \$325 million outstanding in interest-free advances to hospitals to help their cash flow.

The *Economic Development Administration's* programs, which provide \$300 million a year in diffused, overlapping and confusing assistance to communities with little impact on overcoming persistent unemployment problems.

The College Housing Program, which provides assistance to rich and poor students alike, many of whom have increasingly demonstrated an unwillingness to live on campus.

Veterans burial allowances, which go inequitably to veterans' families who also have Social Security burial benefits and are thus twice compensated.

Rural sewer system grants, which are now duplicated by the Environmental Protection Agency.

Model Cities programs, which have had an enormous failure rate and only rarely have noticeably improved the living conditions of people in the program areas.

EXAMPLE OF HOW "HORROR STORIES" MIGHT BE USED

Each day that the Congress persists in its efforts to foist upon the American public a gaggle of runaway spending schemes is a one day reprieve for boon-

dogging programs which fuel inflation and threaten higher taxes. The pat response by the President's critics is that the President is hurting the poor, not responding to the people, and has his priorities mixed up. Let's look at some of those programs targeted for cutbacks.

In New York City the Federal Government has spent thousands of the taxpayers' dollars for job-training programs under the Concentrated Employment Program (CEP). In East Harlem, the program established the commendable goal of 1,400 enrollees. Only 616 persons were actually enrolled while 170 of those dropped out. Instead of the hoped-for job placements of 920, the magic figure for the number of persons placed in jobs was—6. That is to say, thousands of dollars were spent for a program whose final result were a 1 out of 100 ratio of job placement.

It is unfortunate that the poor are misled by the high spenders—as they were with the hapless CEP—for it is the poor who are most hurt by the inflated expectations that these programs have a habit of creating.

But worse yet is to see money which might help the poor go to the wealthy.

For example, the well-known farmer and sod-buster, Mrs. Katherine Graham, who supplements her farm income by publishing the *Washington Post*, has been reported by the *Chicago Tribune* to have received nearly \$1,000 from the REAP program. In point of fact, the nearly \$1,000 which went to Mrs. Graham was used on a 347-acre spread right in the middle of the posh Virginia hunt country.

The only conservation practice involved here is the President's act of conserving the taxpayer's money against raids on the treasury by millionairess newspaper publishers. Less the pity that cutbacks in such abjectly bankrupt programs affect most the Sunday English-saddle-set. They shall have to make do without.

Rural Environmental Assistance Program

REAP would continue to consume more than \$200 million a year in reaching only 20 percent of the Nation's farmers with payments averaging \$239.

An intensive investigation by the U.S. General Accounting Office and several newspapers have turned up these recent abuses in the program:

In a number of states, REAP funds went for clearing the corners of cropland for greater traffic safety at highway intersections. At one intersection GAO found 4 signs boasting the participation in the land clearance by the 4 adjacent farmers. This is not proper use of federal funds aimed at water and soil conservation.

On 26 farms in one midwestern county, over \$4,000 in REAP funds were used for planting shrubs around homesites and along private driveways. Some of the houses being so landscaped (one with azalea beds) appeared to be newly constructed and expensive, and in at least one case (a house) was owned and occupied by an officer of a bank located in a nearby city.

In many cases funds have been made available to "non-farmers." One of the program participants admitted that his land could not be considered a farm because it contained only 3 acres with his home located in the center. Yet an irrigation ditch was built costing taxpayers \$512. In another case a joint irrigation ditch was provided to 7 families. Five of them admitted that they were not farmers; one used his backyard for a garden and the other four used them for grazing and growing alfalfa.

In another state \$848 of federal funds were used to construct two ponds on commercial property which advertised that it offered pony rides, camping areas, and a lake for fishing. An analysis of the land showed it was used for recreational purposes. But when the county officials reassessed the "farmer's" status they said he could classify as one because in addition to the recreation facilities he had sheep, goats, and horses and because his net proceed from farm commodities totaled at least \$100.

A columnist for the *Chicago Tribune* discovered that \$976.84 has been paid since 1968 for conservation practices on the 347-acre Virginia hunt country estate of millionairess *Washington Post* publisher Katherine Graham and that \$1,408 has been paid out to Mrs. Joseph W. Barr, wife of the former Secretary of Treasury. Mrs. Barr used the money on her 364-acre estate. (*Chicago Tribune*, March 8, 1973).

The Concentrated Employment Program (CEP)

The Concentrated Employment Program, operated by the Department of Labor under delegation of authority from the Office of Economic Opportunity, was intended to provide useful work and training opportunities to help unemployed or

low-income persons obtain and hold regular jobs. It was specifically designed to concentrate work and training resources in urban and rural targets.

Before a local program receives funds, local sponsors must propose enrollment goals and then promise to meet them. In many cases, however, funding has continued long after local programs have gone off the tracks. Two examples found by GAO investigation:

In East Harlem the goal for the number of persons to be enrolled was 1,400 but the actual number enrolled was 616. Of those who enrolled, 170 dropped out before completion. Moreover, only 6 persons were actually placed in jobs instead of the hoped-for 920. Not only is that only 1 placement out of every 100 actually enrolled, it is only half of 1 percent when matched against the projected 65% placement.

Similarly in South Bronx, the contract called for enrolling 2,070 over 10 months. Only 1,530 were enrolled. The contract was then extended by a year without a change in the enrollment goal. However, at the end of the 23 month period there were only 1,609 enrolled or 78% of the number originally proposed for the 10 month period. The next year the contract was renewed and only 34% of the projected enrollee figure was attained.

Cost estimates are unavailable for each of the above.

Community Action Programs

Since 1964, the Federal Government has spent over \$2.8 billion for Community Action operations. While some individual "success" stories exist, there are many more failures. Administrative inquiries have disclosed:

In Oklahoma, a regional project purchased a \$39,500 building from the brother of one of the project lawyers. Six months earlier, the property had been appraised at \$15,200.

In Washington state, OEO-funded employees engaged in confrontations with school authorities and also engaged in labor organizing and strike picketing, all during working hours.

In Texas, employees were required to kick back part of their salaries to the unemployed board president. Local attorneys were hired for hefty retainers while they worked full time in other organizations. Meanwhile, the board of directors did not meet for an 18-month period and there was no evidence that any poor people, black or white, ever received any services.

In Florida, a community action employee and director were convicted of being part of an auto theft ring.

In Ohio, the project purchased lumber from a firm owned by a board director. One full-time staff member hired his daughter at \$300 a month.

In New Mexico, the program paid for dentures for the wife of the community action board chairman, among other unusual expenses, including directing food stamp recipients to buy at stores the CAA officials preferred as opposed to stores more convenient to the recipients.

In New Jersey, an employee rented a house to the project for \$383 a month. He was buying it for \$128 a month on a VA loan. A member of the CAA board of directors rented another house to Head Start for \$225 a month. He was paying \$55 a month to a realty firm for it.

In Montana, a local attorney who was the city attorney of another community received a \$20,000 salary as a "tourism specialist."

Hill-Burton

The Hill-Burton Act is a Government program designed to help local communities build new hospitals. At the time of its passage in 1946, the Act was responsive to an acute shortage of hospital facilities. Today we have a surplus *need*. The result has been massive Government waste and an overabundance of dollars a year to build new ones.

The GAO recently studied six States—California, Maryland, Colorado, Florida, Washington, and Ohio—and found that in each case, construction of hospitals and skilled-nursing care facilities under Hill-Burton *exceeded the projected need*. The result has been massive Government waste and an overabundance of hospital beds driving the cost of health care up.

Here are some findings from the GAO study (March 7, 1972) :

Excess number of beds :

Ohio (Cincinnati) 300.

Colorado (Denver) 872.

Florida (Duval County) 663 (though Florida (Jacksonville) computed the factors so as to cover the excess).

California (San Francisco Bay area) 1,307.

Washington (Seattle) 950.

Similarly the number of skilled-nursing-care beds exceeded the projected figures, and in all but two of the studied cases, the excess was even greater :

Maryland (Baltimore) 1,476.

Ohio (Cincinnati) (the data was not reported "in a consistent and reliable manner").

Florida (Duval County) 518.

Colorado (Denver) 3,270.

California (San Francisco) 6,967.

Washington (Seattle) 2,300.

Even GAO notes that facilities which exceed needs can lead to underutilization of such facilities and can, in turn, result in higher patient-day costs. In its wasteful results, Hill-Burton has contributed to inflationary health costs.

Economic Development Administration (Department of Commerce)

The primary function of the EDA is to create new jobs in areas of persistent unemployment and underemployment, on a rational, targeted basis. It evolved into a local grant program, losing much of its focus and importance in the process. EDA makes grants and loans to non-profit entities for public works projects and for development facilities projects. Because it has evolved into a local grant program, it has not fulfilled its expectations.

In three EDA regions the GAO reviewed 150 projects for which grants and loans totaling \$77.7 million were awarded. The GAO found that for about 14% of the projects reviewed grants and loans were questionable. The most prominent reason was that the projects had almost no impact on the unemployed and underemployed residents of the area.

The GAO notes these examples: In May 1968 EDA awarded a grant of \$140,000 for expansion of a general hospital, estimated to cost \$175,000. The project was supposed to create 30 jobs in the hospital. Tennessee's State Hospital Plan assigned the project low-priority and it was denied funds under Hill-Burton. EDA is not supposed to encourage public work construction of hospitals because of the funds available under Hill-Burton, but it made the grant anyway despite the lack of offsite economic impact.

Parking facilities also have low economic impact. Nevertheless, in June, 1967, EDA awarded a grant of \$44,500 to a city in Oklahoma for construction of a downtown parking facility estimated to cost \$889,000. The city estimated that 77 existing jobs would be saved and that 471 new jobs would be created over a five-year period on the basis of increased sales activity downtown. The EDA regional office found that instead of creating 471 jobs, the project would only create 37 jobs, and disapproved the project. The regional office then reversed its position because of pressure from local businessmen.

OEO—The Disappearing Funds

In January, 1973, the Democratic Congresswoman of Oregon, Edith Green, announcing her disenchantment with OEO, asserted too that little federal poverty money is actually reaching the poor who needed aid. She noted that *some accounting procedures of the Community Action Program were so lax that in one agency \$400,000 vanished; in another \$100,000 disappeared*. She said: "Liberals in Congress are very critical of defense waste but they are willing to waste money on poverty programs because they were started with good intentions. That's not sufficient."—(Reported by *Portland Oregonian*).

OEO—\$60,000 Junket

Just last summer, the Monmouth County (New Jersey) Community Action Program arranged through a non-profit organization to send 67 "underprivileged" students abroad. The money to pay for these vacations—some \$60,000—was described as "recaptured" funds that had not been expended from an orig-

inal OEO grant. The New Jersey OEO director, in defense of the overseas trip, said that unless the \$60,000 was used by the end of the fiscal year, *it would have to be returned to general government funds.*

As the *Wall Street Journal* editorialized at the time: "Only a political innocent could be surprised that bureaucracies would rather spend money on even dubious projects than return it to the Treasury." At least 23 of the 67 students who were sent overseas at \$800 a head were in fact "not *'underprivileged'*" students. The father of one of the participants indicated that the students "resented" being referred to as "underprivileged". That father who was chairman of the local NAACP, *said he regarded the trip as a "scholarship type thing".* And That On Poverty Funds.

It is significant that although OEO reassigned the three officials in that Regional Office who were responsible for the boondoggle, only their duties were reduced—there was no accompanying reduction in salary.—(based on accounts in the *Wall Street Journal* and Asbury Park Press).

Housing and Urban Development

Probably no area of government has been the subject of more private abuse and public scandal than some of our Federal programs for housing and urban development. Some have worked, and Americans are better housed today than at any time in our history. In fact, the number of people living in substandard housing has been cut in half since 1960. But some of the programs have failed, and failed miserably.

The President's new budget would eliminate eleven outmoded urban development programs and suspend four ineffective housing programs. Commitments already made would be met, but he wants to stop programs that have failed. As he said in his radio message of March 5, 1973, "The high-cost, no result boondoggling must end."

President Nixon himself has taken the lead in pointing up some of the horror stories in this field. Among those cited in his radio broadcast:

"I recently learned of a city where \$30 million was paid out for an urban renewal project. But instead of getting better, the physical condition of the target actually got worse." (St. Louis)

"In one of our huge, high-rise public housing projects, less than one-third of the units are now fit for human habitation and less than one-fifth are occupied." (St. Louis)

"In another city, urban renewal was supposed to salvage and improve existing housing. Thirty million dollars was spent over 12 years—but the results were so meager that the planners finally gave up and called in the bulldozers. Now almost half of the project's 200 acres lie vacant and unsold." (Newark)

"Some of our programs to help people buy or improve housing are also back-firing. Too many of the owners fail to meet their payments, and the taxpayer gets stuck with the bill. He also gets stuck with the house—and the added expense of looking out for it. As a result, over 90,000 Federally subsidized housing units are now owned by the Federal Government—over 14,000 in one metropolitan area alone." (Detroit)

"These examples are not unusual. This does not mean that the people in charge of these programs are dishonest or incompetent. What it means is simply that they are human—and that no human being, accountable only to an office in Washington, can successfully plan and manage the development of communities which are often hundreds or thousands of miles away."

"There are too many leaks in the Federal pipeline. It's time to plug them up.

"That is why we are changing our entire approach to community development.

"We are putting an end to wasteful and obsolete programs and replacing them with ones that work."

In the material that follows are a number of other examples that have been publicly reported by GAO investigators and the press:

From the *Detroit News* (6/30/72):

A speculator bought a home for \$6,700 in 1968 and two months later sold it for \$15,000, a sales price set by an FHA appraiser. The first family defaulted on the mortgage, FHA paid \$15,600 to make good on it, and HUD repossessed. HUD then paid for \$10,000 in repairs—some of it done illegally, some improperly—and sold the house for \$15,000 to a Mrs. Worthington, a welfare mother. She found it in great disrepair—it violates local building codes—and after a special investigation, a HUD specialist has recommended that it be torn down and Mrs. Worthington given another home.

The example above points up a classic case of fraud that has bedeviled HUD's programs. But while the President has acted to put his own house in order, such stories are indicative of flawed Federal programs. A speculator buys a home for a song. An FHA inspector appraises the house for a much higher value and commits the Federal Government to insuring the mortgage at that level. The speculator then persuades a low-income person to buy it, showing him that the Government has inspected it. The poor family moves in, finds that the place is falling apart and that he really can't meet the costs of both the mortgage and the maintenance. Soon he moves out, HUD forecloses, and the taxpayer gets stuck—stuck with the house, stuck with the cost of maintaining it, and stuck with the cost of paying for the fraud. The Administration has already acted to end this mismanagement.

From the *St. Louis Post-Dispatch* (7/13/72) :

Reviewing public housing across the Nation, the *Post Dispatch* reported that in 92 cities, only 10 had incomes from public housing which exceeded annual operating costs.

The most successful projects in St. Louis were under the Turnkey program, by which a private developer builds the housing and turns it over to public authorities. Even here—the very best of all the programs—operating expenses exceeded incomes.

The Failure of Urban Renewal

The Urban Renewal program, started in 1949, was designed to create better urban living conditions—especially for poor people.

Since 1949 approximately \$12.6 billion have been spent on Urban Renewal; \$6.3 billion was spent by the Federal Government alone.

Over 580,000 homes were destroyed; less than 201,000 new homes have been actually finished—for every home the program built, three were destroyed.

Fifty-three percent of all Urban Renewal money has been used to buy up existing old real estate, often bailing out wealthy real estate owners who were caught in "bad" investments in declining downtown areas. Moreover, Urban Renewal is open to criticism for not paying a fair price to those whose businesses are taken.

Over one million Americans have been evicted from their homes; about one-half have been blacks, Puerto Ricans and members of other minorities.

This was a program that looked good on the blueprints of the social engineers. A quarter century of hard, painful experience has proven otherwise. It is time to try a different approach.

Model Cities

The Model Cities Program, another Great Society program gone astray, was so enable cities to demonstrate that the living environment and general welfare of people in slum and blighted neighborhoods could be improved through effective and coordinated concentration of Federal, State and local efforts. The program was to have a substantial impact on the social, economic and physical problems of the city and was to involve the residents in planning and implementation. It hasn't worked, and now President Nixon wants to phase it out, allowing communities to continue them under special revenue sharing—but only if they want it.

A series of stories running this month (March, 1973) in the *San Jose Mercury* has given us additional insight into Model Cities :

A poll taken by the respected Diridon Research Corporation found that 66 percent of those interviewed in the San Jose, California, Model Cities area knew virtually nothing about the Model Cities program. And in various neighborhoods 22 percent to 46 percent had not heard of it at all. Even the head of the city agency with direct jurisdiction over Model Cities, admitted that the average resident of San Jose didn't know what it was.

Last year elections were held to choose 97 members of the neighborhood Model Cities Assemblies in San Jose. Of the 43,000 people affected, only 770 voted—only slightly more than double the 347 candidates for the vacancies. San Jose's mayor hired an advertising man to run the election. After it was over, he was so disillusioned that he commented: "The only area in which I really agree with Nixon is the fact that he's cutting this program out."

In another report on San Jose's Model City project the *San Jose Mercury* reveals the insolvency of the Community Health Unlimited (CHU) program funded in part by Model Cities. The paper found that for a year the agency had been withholding Federal income taxes from its employees but neglecting to forward the money to the Internal Revenue Service. For three calendar quarters,

funds withheld for State income tax and disability insurance had been similarly diverted. The combined State and Federal funds thus diverted appeared to total about \$10,000 with penalties.

The *Mercury* also reported that a San Jose city audit showed CHU could not properly account for \$3,681 out of its total Model Cities grant of \$31,844. In addition, there was back pay due to employees and back rent due on the headquarters.

This same group, one which has failed to send in taxes withheld from its employees, is now in the red to the tune of about \$20,000.

Federal Establishment versus the Mayors

We know that in one city it took the better part of a year of concerted effort to simply develop *information* on the flow of grant money to public and private agencies.

One prominent mayor has been quoted as saying he tried to get a good fix on Federal grants within his city and finally gave up in frustration . . .

One mayor has told of Federal crime control grants that forced him to buy fancy gadgetry for his police department. It mattered very little that his first priority in crime control lay in more serious matters.

Still another mayor complained recently of having to use a \$200,000 Federal grant to figure out what the *other* Federal grants were. That accounting took a year. When it was done, the city found it was getting over \$60 million in grants-in-aid from the Federal Government—but that it was putting up \$26 million of local matching money to get the so-called free money.

One of the worst parts of it is that the mayors often are held responsible by the voters for what the bureaucrats are doing.

Local officials are frustrated. America's taxpayers have run out of patience people we are all trying to help have grown cynical. Only the special constituents who profit from the hundreds of Federal programs are content.—Secretary LYNN, Speech to National League of Cities/Conference of Mayors, March 5, 1973.

THE FAR-OUT FIFTEEN

“. . . a \$9 billion herd of Trojan horses that are thundering our way from out of the Congress, brightly painted and outfitted with very attractive accessories . . .”

“This is a \$9 billion dagger at the pocketbook of the American taxpayer . . .”—JOHN D. EHRLICHMAN, Assistant to the President, March 9, 1973.

The Congress presently has on its calendar 15 pieces of legislation which would raise the taxes of the American people. Some of these budget-busting bills have passed and the others may be passed in the near future. Most, perhaps all, will be vetoed.

These 15 bills would raise President Nixon's budget by \$9 billion. And they would require a 4% surcharge on individual income taxes in order to pay for them.

What follows is a close examination of these bills:

Airport Grant Extension:

Background

Under the Nixon Administration, funding levels for airport construction and planning grants have risen from \$70 million in 1969 to \$295 million in 1973, an increase of more than 300 percent in four years. In just two years, 40 percent of the small and medium hub airport development anticipated for the entire decade has already been funded. Grant requests from local communities have not become too badly backlogged, and some of the money which the Administration has tried to spend has been held up by environmental lawsuits.

Objections to Pending Bills

The Administration considers pending legislation S. 38 and H.R. 4082 more objectionable than the vetoed legislation. Specifically S. 38:

Increases annual airport construction grant program funding from \$280 million to \$420 million (the vetoed bill increased it to \$359 million);

Increases the Federal share of grants from 50 percent to 75 percent for all airports except the largest 25 in the United States (the same as in the vetoed bill).

The Administration's Position

The Administration favors annual program levels for fiscal years 1974 and 1975 at the presently budgeted \$280 million level. The Administration will maintain its commitment to support airport development.

One non-budgetary aspect of this bill is of note: The bill would permanently ban local head taxes on those who buy airline tickets; the commercial airlines strongly support this position. The Administration, however, would prefer to have an 18-month moratorium on head taxes until DOT studies their impact on interstate commerce and aviation financing.

Safety in the skies is of course a Federal responsibility—but should airport construction and development be? While the Federal Government has played an important role, it cannot assume total responsibilities for such efforts—nor should it.

It can be said that a national aviation system depends upon comfortable, convenient terminal facilities—and that airport extension is in fact a national concern. It can also be argued that airport management is a commercial operation, and the terminals ought to be able to rent out space, sell concessions and in general raise adequate revenues on their own.

The difference is one of degree: the Nixon Administration proposes a \$280 million funding for airport development projects for fiscal year 1974 and also for fiscal year 1975. A new Senate bill wants \$420 million spent in both fiscal year 1974 and 1975.

The Nixon Administration has the edge on the issue, in my judgment, because of its record on airport extension to date—and because of what is currently happening to the \$280 million already budgeted.

The Administration is very clearly for airports. Its funding levels for airport construction and planning grants have risen from \$70 million in 1969 to \$295 million in 1973, an increase of more than 300 percent in four years. In only two years, 40 percent of our planned small and medium airport hub development anticipated for the entire decade has been funded.

Right now, there is no substantial backlog on requests for grants—indicating the \$280 million budgeted by the Administration is just about right. In addition, protests and other actions by single-minded environmentalists at the airports have held up the commitment of some of the funds already budgeted. Thus we don't need—and probably can't spend—a lot more money today, as the Congress seems to want.

ANTIHIJACKING

Background

On December 5, 1972, the Department of Transportation administratively established Federal anti-hijacking rules and regulations which require State and local governments to provide security forces as hijack deterrents at the Nation's 531 airports.

On February 21, 1973, the Senate approved alternative legislation, which, among other things, creates an Air Transportation Security Force of Federal law enforcement personnel. The legislation is now being considered by the House.

Objections to Pending Bill

The Administration opposes these features of the Senate bill.

1. The creation of another Federal security force. Primary responsibility for law enforcement in America has always rested with State and local authorities and should remain there.

2. Federal financing of air security, an expense which ought ultimately to be borne by the passengers as it is in other modes of transportation.

The President's Record

The Administration's anti-hijacking efforts have reduced aircraft seizure attempts to four in the past seven months and only one this year.

The Administration has, by negotiation, eliminated Cuba as a hijackers' haven.

The Transportation Department's December regulations are being implemented effectively and correctly define the roles of the Federal Government, State and local governments, air carriers, airport operators and passengers. Passenger costs are expected to be minimal, amounting to about 50 cents each, according to the airlines.

The Administration supports those provisions of the current legislation which implement the Hague Convention to reduce international terror, and which call for Federal funding of detection devices.

Anti-hijacking

In just the past year or two a new dimension has been added to the adventure of flying. It is a dimension, however, sought after only by madmen.

I am talking, of course, about hijacking.

We have all become familiar with the terror and drama of gunmen seizing an aircraft in flight. Too often it results in tragedy. And it has introduced tension into what ought to be simply a comfortable and efficient way of traveling.

Such acts of terrorism and murder clearly cannot be allowed to continue in a civilized world.

Fully aware of its terrible implications and fully determined to put a stop to it, President Nixon has moved forcibly to prevent any further hijacking attempts.

He has, by negotiation, eliminated Cuba as a hijackers' haven and, under the Federal Aviation Administration, he has established rules and regulations for airport security.

These rules and regulations require State and local governments to station law enforcement officers at each of the Nation's 531 airports to check passengers and luggage, thus stopping hijacking before it starts.

The President is also supporting legislation before Congress which implements the Hague Convention on the unlawful seizure of aircraft, imposes boycotts against nations which are a base or a sanctuary for hijackers, and provides Federal funds for detection devices at domestic airports.

But, as is all too often the case, the Senate has over-egged the pudding.

In approving anti-hijacking legislation, the Senate has seen fit to create a national police force of Federal law enforcement officers known as the air transportation security force. This force would be trained and placed at each airport in the country to the tune of \$35 million a year.

The Administration feels that this is an unnecessary and dangerous intrusion into an area that should be the province of State and local governments.

There are no Federal policemen patrolling bus stations, railroad depots or boat docks. Basic security in those places is handled by local police or by the carriers themselves. And it works very well.

The last thing we need in America is a national police force.

There is also a serious question of who should pay the bill for protecting our airplane travel. The Senate's bill would force the bill onto the taxpayer, even if he never flies; the Administration would instead require the people who ride the planes to pay for it. I leave it up to you to judge which is fairer.

The airline estimate, incidentally, that the Administration's anti-hijacking program would cost each passenger about 50 cents per ride if the cost is passed on to them. Safety and security would be cheap at twice the price.

ECONOMIC DEVELOPMENT ADMINISTRATION

Background

The Economic Development Administration (EDA of the Department of Commerce began as an experimental effort in 1965 to create permanent employment opportunities in economically depressed areas, but because the funds have been so widely dispersed, the impact for the needy has been negligible. There have been too little results and too many failures. A commendable effort to help the poor has become mired in overlapping bureaucracy with the SBA, USDA, and HUD. Moreover, the excessive Federal involvement deters from State and local decision-making. The Administration proposes to terminate EDA activities by June 30, 1973.

Objections to Pending Bills

Pending bills would not only extend Federal participation in EDA programs but would also increase 1974 appropriations by a budget-busting \$1.2 billion. The Administration has already found these shortcomings in EDA.

The dispersal of \$300 million in EDA funds across such a vast territory, on such a major mission, has been ineffective and of marginal assistance to the needy.

Studies have shown that less than 30 percent of funds get to the people who need them most.

More than half of EDA funds have been for water and sewer systems, many resulting in no additional economic growth, and often overlapping with environmental programs.

Federal bureaucrats have frequently been involved in local decision-making, interfering with State and local authorities and warping priorities desired by regions served.

The Administration's Position

Although the President's budget for fiscal year 1974 phases out EDA programs, the Administration proposes to initiate or expand alternative programs to stimulate economic development and reduce unemployment—and with less direct Federal involvement.

The budget provides for an increase of \$348 million for programs under the new Rural Development Act passed by Congress last session. This includes \$200 million in loans for commercial and industrial development, up to \$110 million for grants and loans to smaller communities for their own facilities and an additional \$345 million in loans for water systems and other facilities. This program will permit State and local officials greater control in the decisions about the projects close to home.

The Environmental Protection Agency will make available \$5 billion for communities to construct sewage and waste treatment facilities under the Water Pollution Control Act of 1972. This money removes the need for many EDA projects.

Overall, the President is requesting more than \$2 billion in Special Revenue Sharing funds for urban community development—and these large communities will be making their own decisions about the projects they need the most.

Economic Development Administration

The Economic Development Administration (EDA) of the Department of Commerce has proved to be an ineffectual highspending program with marginal impact on the poor it was originally intended to help. The Administration's decision to phase out EDA on June 30, 1973, is a decision in the best interests of holding down inflation and doing away with programs which fatten up bureaucrats even as the poor remain lean.

Within the Great Society repertoire, EDA has proved to be one of the worst examples of misconception and misdirection. Its funds are so widely dispersed as to make their impact virtually meaningless. Its original goal to target money for immediate job-creating impact has been lost in an overlapping array of competitive Federal programs.

Studies have indicated that less than 30 percent of EDA funds get to those who need help the most and that less than 40 percent of the new job opportunities go to the unemployed.

In a textbook example of the failures of uncontrollable Federal programming, more than half the public works projects were for water and sewer systems, many of which resulted in no additional economic growth while duplicating programs within environmental agencies.

On the other hand, the EDA has also been required to use between 25 and 30 percent of its public works funds to create short-term jobs. Among such job-creating efforts was the construction of a golf course—hardly a public works effort the responsibility of which should rest with the Federal Government.

EDA is not being phased out in a callous fit of pique, but is being phased out because better efforts can continue under the Rural Development Act—an act which will be administered in a way which will give State and local officials a much greater share in the making of local decisions.

If the Congress will act to pass the President's Better Communities Act, \$2.9 billion in Special Revenue Sharing funds will become available for community development. The Better Communities Act will demonstrate the difference between change that works—revenue sharing—and change that has failed—the narrow categorical grants of the EDA.

EMERGENCY FARM LOANS

Background

This is a complicated tale. In essence, the Congress is trying to force a disaster relief bill upon us which is too expensive largely because it is too generous.

In 1972, following the Rapid City and Agnes floods, President Nixon proposed relief legislation providing victims of those particular floods one percent disaster loans. The first \$5,000 of the loan could be forgiven by the Government.

Congress broadened the President's proposal enormously, allowing coverage for *crop damage* areas designated by the Secretary of Agriculture and making all

coverage retroactive, spanning the period from January 1, 1972 to July 1, 1973.

This Congressional action literally caused a run on Federal disaster funds to the point where it was estimated that by the end of the eligibility period, 80 percent of the country could be covered with loans totaling \$1 billion. As a result, the Secretary of Agriculture cut off all applications for crop damage at the end of February, 1973.

The administration is now preparing a new comprehensive disaster assistance plan, but as a stopgap has supported H.R. 1975, which would limit aid to emergency farm home loans, eliminate the forgiveness provisions and raise the permanent interest rate to six percent.

However, the House has now passed H.R. 1975, but in doing so has tacked on two expensive amendments. One would open up the special one percent loan again for a period of 18 days after the bill is signed. The second would lower the permanent interest rate from 6 percent to 5 percent.

Objections to pending bill

The Administration opposes the amended bill because it would :

Exceed the current budget by \$300 to \$350 million.

Extend the program beyond the Administration's cutoff date.

Establish an unnecessarily low rate on loans instead of the Administration's six percent.

The President's record

During President Nixon's Administration, total Federal disaster aid rose from \$207 million to \$475 million in three years.

Emergency farm loan totals have risen from \$97 million in 1970 to \$500 million in fiscal year 1973.

In addition, the President plans soon to submit to Congress comprehensive disaster relief legislation that unifies diffuse Federal programs, treats beneficiaries more equitably, assigns a larger role to State and local governments and private individuals, and places more emphasis on flood insurance.

Emergency Farm Loans

We can all remember the vignettes of tragedy and destruction that flashed before us after the Rapid City, South Dakota and Hurricane Agnes floods last year.

And I am sure we all agreed when President Nixon extended broad assistance to the victims of those floods with low-cost one percent disaster loans.

Then Congress, unfortunately, got carried away. In enacting the relief bill, the lawmakers extended its provisions to farmers who suffered crop damage in areas designated by the Secretary of Agriculture. And any farmer who had suffered damage from January 1, 1972 to July, 1973 could qualify.

So legislation originally designed to help the victims of devastating floods in June and July of 1972, after it came through the mill, became practically a giveaway to any sufferers of natural disasters during an 18-month period. And some of the farmers are in areas that suffer some kind of crop damage every year.

The result was predictable. There was literally a run on such cheap and generous relief. When the Department of Agriculture took a look at the figures several months after the program began, they projected that by the time the eligibility period expired, 80 percent of the country could be a designated disaster area and the loans would total \$1 billion.

So the Secretary of Agriculture called a halt, cutting off all loans as of the end of February, 1973. Despite that, some \$500 million in loans will have to be made on the basis of applications received.

The President decided the Nation's mechanism for responding to natural disasters was neither as effective nor as equitable as it might be. He directed the preparation of comprehensive disaster relief legislation that better coordinates fragmented programs, treats beneficiaries more equitably, gives State and local governments and private individuals a bigger role to play, and emphasizes flood insurance.

President Nixon's plan should provide an ultimate solution to disaster relief, but in the meantime we have a stopgap problem.

The Administration has supported stopgap legislation before the Congress which would provide limited assistance to farmers at an interest rate of six percent.

Once again, however, the Congress has come rushing into the china shop and the broken pieces of fiscal responsibility are flying in all directions. In passing the bill supported by the Administration, the House tacked on an amendment that opens up the one percent loan to everybody again for a period of 18 days after the bill is signed into law. And they lowered the permanent interest rate to five percent.

The effect of that little amendment would be to pile another \$300 to \$350 million on top of the amount budgeted for these loans in 1973. And that, of course, linked to all the other drunken sailor legislation being enacted would blow the roof off Federal spending and bring on a tax increase and/or inflation the morning after.

This will be a tough bill to veto. It has an alluring title and appeals to one's sympathies. But we have to face the fact that it will cause another raid on the Federal treasury which simply cannot be justified. If the Congress doesn't have the guts to stand up to this one, I know somebody else in Washington who does.

When you voted in November, you asked for a Congress and a President who would not raise taxes. Richard Nixon won't let you down.

No one can accuse President Nixon of being callous or indifferent to the victims of natural disasters, since he has offered them the most generous Federal assistance.

But neither can the President be indifferent to the larger considerations of national fiscal integrity which mandate preventing the Congress' man-made budget disaster.

FLOOD CONTROL

Background

The Senate passed a bill early in the year authorizing \$593 million for 34 flood control projects and prohibiting the Administration from revising any of its standards for evaluating such projects until next December. The bill is now in House committee. It is almost identical to a flood control measure vetoed by the President last year.

President Nixon has proposed legislation which authorizes \$400 million for 10 flood control projects, all of which have passed various environmental and economic tests.

Objections to Pending Bill

The Administration objects to the Senate-passed bill on the following grounds: It authorizes nine water projects in Appalachia which have not had any Federal review and would not pass Federal standards.

It provides open-ended authorizations for nationwide streambank and shoreline erosion control which could ultimately cost billions.

It duplicates water planning assistance to States.

It bars the executive branch of Government from using the proper criteria of evaluating flood control projects on which to base policy and program decisions.

The President's Record

The President has proposed in the Water Resources Development Act of 1973 a total of 10 flood control projects which have met all economic and environmental tests. Only two would be funded in fiscal 1974.

The proposed Act also increases the fund ceiling on small flood control and emergency projects undertaken by Army Engineers. And it calls for environmental review of water quality standards in projects which have been authorized but not yet constructed.

Flood Control

If anything warms Congressional hearts more than fund-raising dinners, it is dams.

Big dams, little dams, earth dams, concrete dams—they all mean flood control, recreation, conservation, reclamation. And more than that, they mean vote-getting pork from the Federal barrel.

It is no wonder then that one of the first bills passed in the new Congress authorized \$593 million for 34 such water projects. Passed by the Senate, it is now in House Committee where it certainly won't die from lack of loving care.

No matter that President Nixon vetoed almost exactly the same bill last year as being ill-considered and over-expensive.

No matter that it contains what could be a blank check for the nationwide control of erosion on streambanks and shorelines.

No matter that it contains nine water projects in the depressed Appalachian area of the country that the President and the Federal agency in charge of Appalachian programs have never had a chance to look over and would never pass Federal standards.

No matter that that bill ties the President's hands for a year in trying to do anything about upgrading the standards on which Federal approval of such projects is based.

No matter that President Nixon had already proposed a much more reasonable flood control program authorizing \$400 million for ten projects that had passed all the environmental and economic tests.

It is all well and good to want to prevent flooding and create scenic lakes to admire and ski upon, but some concern has to be shown for overall Federal fiscal integrity and some concern must be shown for whether these projects are going to pay a return in benefits on the Federal investment.

The time has come when a hard, careful choice must be made between popularity and necessity, when some kind of balance must be struck between Christmas spending and New Year's morning after.

No less than fiscal responsibility and sound management of the Nation's business is at stake in the flood control dispute between the Congress and the President.

HEALTH MAINTENANCE ORGANIZATIONS

Background

There was much interest in Congress last year in Health Maintenance Organizations (HMOs) even though an HMO bill did not clear—and HMO legislation is expected to be a priority item for 1973.

HMOs take on a variety of forms—flexibility is one of their strong points—but generally they bring together a comprehensive range of medical services in a single organization so that a patient is assured of convenient access to them all. And it provides services for a fixed contract fee which is paid in advance by all subscribers.

The President recommended a comprehensive HMO assistance program in his 1971 and 1972 health messages. His 1974 budget requests \$60 million for demonstrating HMOs of different types in a variety of settings—under a time limit, and in cooperation with State and local governments. The Senate wants to spend much more on HMOs (see below).

The Association of American Physicians and Surgeons opposes federally-funded HMOs because, as its spokesman Frank K. Woolley put it, "We believe that subsidizing this one type of medical practice to the detriment of others is unfair."

Objections to Pending Bills

The Senate Bill, S. 14, and the House Bill, HR 51 (approved by the House Public Health and Environment Subcommittee), are objected to by the Administration on the following grounds:

They provide excessive, inflationary, budget-busting appropriations. Authorizations for S. 14 alone amount to \$1.018 billion more than the Administration request.

They impose Federal projects on various States, overriding State laws. This is inappropriate for a Federal demonstration effort. Regulation of health providers is basically a responsibility of the States. Several States are already considering HMO projects.

They mandate projects that will be so expensive that they will actually hinder the necessarily lean, experimental character of a demonstration effort.

They duplicate and complicate current ways of improving the quality of health care, monitoring, research and manpower training.

The Administration's Position

RN's insistence on demonstration projects will make it more likely that States will develop their own HMOs, and will be helped by lessons from the Federal experience. The Federal Government should not be getting into the wholesale HMO business.

Frank Carlucci, HEW Under-Secretary, explained the merits of the "demonstration route" to the House Public Health and Environment Subcommittee early in March.

Carlucci added: "We don't think it's necessary to bludgeon the States into accepting HMOs. We can conduct projects where there is a conducive atmosphere."

Health Maintenance Organizations

Everybody in America agrees on the goal of higher quality medical care at the most economical price—and almost nobody agrees on the best ways to attain it. Early in the 1970's, there was great interest in HMOs—Health Maintenance Organizations—as an idea for improving health care and bringing it to more people, especially in poor and medically under-served areas. But there is disagreement about how MNOs can best be set up—and how they should be financed, and at what cost.

The Big Spenders in the Congress of course want as many HMOs as the taxpayers' money can buy. After all, they watched Senator McGovern and Senator Kennedy come up with a multibillion dollar socialized medicine scheme in the 1972 campaign, and they saw what the voters did to it. Wouldn't budget-busting HMOs be the next best thing?

Meanwhile medical associations have declared their opposition to any kind of federally-funded HMOs. One medical spokesman said: "We believe that subsidizing this one type of medial practice to the detriment of others is unfair."

But the art of government in a free democracy is often to find the middle of the road—in which men can agree on a need, compromise their differences, and set to work to promote beneficial action.

Right now, for example, the Nixon Administration has called for an investment of \$60 million in fiscal year 1974 in HMOs—but they are to be "demonstration HMOs." The idea is to set up different types of HMOs, in a variety of settings, to determine how the HMOs will work out.

The Nixon Administration will concentrate its HMO demonstration effort in medically underserved areas. Men and women will be able to sign up for comprehensive health care services, in voluntarily enrolled groups, on a prepaid basis. They will be able to choose their medical personnel—and there will be nothing socialistic about it at all.

Florida Democrat Paul G. Rogers, Chairman of the House Public Health and Environment Subcommittee, has said the demonstration approach is "just fine."

The Nixon Administration also differs from the Big Spender advocates of HMOs in another very important respect: there will be no Federal override of State laws, in fact, the contrary. In the spirit of creative federalism, the Administration expects that the States will incorporate the lessons of the first demonstration HMOs into their own HMO projects.

But aside from the merits—or demerits—of HMOs as a concept and as a practice, there is still the question of cost. By some calculations, the Big Spender versions of HMO legislation would add more than \$1 billion to the Federal Budget—a budget-buster if ever we saw one.

In my judgment, the President's middle of the road approach to this problem—as to so many others—is carefully considered and exactly right.

OLDER AMERICANS LEGISLATION

Background

The Nixon Administration takes pride in its record of helping older Americans: from FY 1970 to FY 1974, total Federal benefits for the elderly will have increased by 71%, rising from \$37.2 billion to \$63.8 billion.

Against this background, the President on October 30, 1972, pocket vetoed a particularly soft and expensive bill for the aging. Now a very similar version of that bill has been revived and has passed the Senate as S 50, the Older Americans Act Amendments.

Objections to Pending Bill

S 50 has a number of different features. It would provide new categorical grants to States and communities for social service programs for the aged (\$100 million in FY '73, \$150 million in FY '74, \$200 million in FY '75). It would also provide new categorical grants for multi-purpose senior centers, for training and research, and for "gerontology centers." It would also provide for more Federal monies to pay for new senior citizen programs within the Labor Department (not HEW).

The Administration objects on several grounds:

The bill is enormously expensive, authorizing new spending of \$1.5 billion over a three-year period.

New spending at that level will only raise taxes or fuel inflation, hurting the elderly in the process.

The bill duplicates many present activities.

It also creates new categorical grants at the very moment we are trying to move away from them toward special revenue sharing and more efficient methods of funding.

Finally, the Administration does not want new elderly programs scattered in the Labor Department; they should instead be collected under one roof at HEW or a new Department of Human Resources.

The President's Record

RN said at the White House Conference on Aging in 1971 that he was committed to making the last days of our older Americans their best days. He has worked hard to carry out that commitment:

Social Security benefits have been increased 51% in the last four years—the most rapid increase in history. Under RN's leadership, they have also become "inflation-proof," increasing automatically as the cost of living increases.

Under recently enacted legislation, over 1½ million older Americans or their dependents can now receive higher Social Security benefits while continuing to work.

The new Supplemental Security Income program places a Federal income floor under the aging, blind and disabled poor.

Medicare and Medicaid benefits for the elderly have increased from \$7.8 billion in 1970 to \$11.5 billion in 1974.

Funds for the Administration on Aging (headed by Dr. Arthur Flemming, former HEW Secretary) have risen sevenfold.

And, as noted above, total Federal spending for the elderly has increased by 71% under RN.

The President is proposing two additional initiatives this year:

Property tax relief for the elderly.—Approximately two-thirds of the 20 million people 65 and over own their own homes, and they must pay a disproportionate amount of their fixed income for property taxes.

A funding increase of \$200 million for programs under the Administration on Aging. Half would be for *nutrition* projects, half for comprehensive *social services*.

OLDER AMERICANS LEGISLATION

C. P. Snow once made a startling observation: in the pre-Industrial Age, it was a rare thing to see one's grandchildren, the life expectancy rates were so low. Today, we have an average male life expectancy of 67 years and a female life expectancy of 75 years, and our older people are working more creatively than ever before—participating more enthusiastically than ever before—in our family, community and national life.

But older people, especially men and women on fixed incomes, are particularly vulnerable to increased individual income taxes—and even more so to viciously spiralling inflation rates.

More than all other Americans, our senior citizens are fighting to hold the Federal spending line—so their buying power will not be eroded, so their life savings will not be wiped out.

President Nixon is fighting, too, and when he says he will get government off people's backs and out of their pockets, our older people know with special emphasis what he means.

And this is why our senior citizens see through big-spending, boondoggling legislation that will send up their taxes and raise inflation—and they resent it very much when this legislation comes in the form of patronizing, paternalistic programs "to aid the aging."

Last October 30, President Nixon vetoed a particularly soft and costly aging bill that would have cost \$1.5 billion over a three-year period. His critics said how heartless he was—but the older people turned out in record numbers just eight days later to help reelect the President.

Now, if you can believe it, that very same bill, or a substantially similar one, has surfaced again as S50, the Older Americans Act Amendments. As passed by the Senate, it would immediately provide for excessive appropriations of from \$373 million to \$753 million over the 1974 budget.

S50 is the same old patronizing, paternalistic story—\$100 million in Federal grants for social service programs for the aged in fiscal 1973, \$150 million in fiscal 1974, \$200 million in fiscal 1975. There would be another \$100 million for

a community service employment program in fiscal 1973 and another \$150 million for fiscal 1974.

Incredibly, there would even be \$150 million in fiscal 1974 for a so-called mid-career development program—training people in their 40s under aid for the aging appropriations.

If the President vetoes this nonsense—as he should—the Congress might have enough votes for an override. And if the President impounds the funds, he will be accused of trying to be a dictator. Of course, he is simply, consistently attempting to hold the line on taxes and inflation.

But when the President's critics resume their caterwauling about how heartless he is, our older people will remember what the President has done.

President Nixon has actually increased, from their lamentable levels of the previous Administration, all programs for the aging by more than 70 percent. Social Security benefits have increased no less than 51% since President Nixon took office. And total spending for the elderly now exceeds \$60 billion. All of this has been done without increasing taxes, and while reducing the rate of growth of inflation.

Right now, our older people want the line on Federal spending held. They do not want higher taxes. They do not want more inflation.

They want S50 and other boondoggling legislation turned back—and they do not want to be paternalized or patronized anymore.

RURAL ELECTRIFICATION ADMINISTRATION LOANS

Background

The Rural Electrification Act, passed in 1936, provided direct loans to Cooperatives at 2 percent interest to encourage and assist in bringing electric power to rural areas. During those Depression years, only 11 percent of our farms had access to electricity, and a real need existed for Federal assistance. Moreover, Treasury borrowing rates in the mid-1930's were less than 2 percent.

Today, 98 percent of our farms are electrified, and Treasury borrowing rates are more than double what they once were. In recognition of these facts, the Nixon Administration, on December 29, 1972, converted the 2 percent loans to a program of insured and guaranteed loans at interest rates ranging from 5 percent to approximately market levels.

Objections To Pending Bill

Sen. Humphrey is now sponsoring S. 394, which would restore the 2 percent direct loans. His bill has passed the Senate 69-20 on a roll call vote.

The Administration objects to the bill on two grounds.

It effectively prohibits charging higher interest rates to borrowers based on the ability to pay.

It would increase budget outlays by \$83 million in FY 1973 and \$373 million in FY 1974.

Administration's Position

Under this Administration, loan authority for FY 73 was \$170 million more than ever before provided in a single year.

With the job of rural electrification largely completed, there is little reason to continue the 2 percent loans.

The 5 percent interest is still a subsidized rate and a direct aid to the borrowing rural electric and telephone cooperatives.

The Administration will also make exceptions for "hardship cases", provided that the borrower can conclusively prove that it will not be possible to continue services unless the interest rate on a loan is below 5 percent.

Rural Electrification Administration Loans

Where—in these days of tight money and tighter budgets—can Americans get a loan at 2 percent interest? Two percent—surely they've got to be kidding.

Well, in the Depression, back in 1936, the Rural Electrification Act was passed. That provided for direct loans at 2 percent interest, and there was a very real need for it, because only 11 percent of our farms were then electrified. And 2 percent was above the Government cost of money.

Today, of course, 98 percent of our farms are electrified—and REA obviously has done a good job well.

But—if you can believe it—REA 2 percent direct loans are still around. Or, rather, they were until December 29, 1972, when the 2 percent direct loans were

converted to insured and guaranteed loan programs ranging from 5 percent interest to approximate market levels. That 5 percent, incidentally, is now below the current Government cost of money.

Nobody seemed to complain about it at the time—and the change seemed fair enough, especially when President Nixon is trying in every way he can to hold down Federal spending, avoid an increase in Federal income taxes, and to reverse the vicious inflationary spiral.

The increase would result in only about a 50 cent boost in an average monthly electric bill in five years, the REA estimated, going up to about \$1 a month ten years from now.

But then along came Senator Hubert Humphrey, sniffing around for an issue that would accomplish two objectives:

One would be to dramatize President Nixon's so-called heartless lack of compassion for the poor.

Another objective might well be to dramatize Senator Humphrey's identification with the rural electrification customers in his own home and neighboring States, and his affection for the little man in general.

And so—again, if you can believe it, the Senate last month voted to restore the 2 percent direct loans, and they did it by a roll call vote of 69–20. It wasn't even close.

Senator Humphrey was in his finest oratorical flower. Listen to him wind up and fly:

"The loan-making authority of the Rural Electrification Act of 1936 was created by Congress to carry out a policy declared to be in the public interest. The act did not say to the executive branch, 'Carry out this policy if you like.' . . . The issue is whether we shall continue our system of checks and balances which the Founding Fathers considered essential."

So—unless President Nixon vetoes it—there will still be a place for Americans to get a 2 percent direct loan.

But, with 98 percent of the farms electrified, what for?

The Senate might have to assert its congressional authority—to provide 2 percent direct loans to electrify the last electric golf carts in Humphreyland.

RURAL ENVIRONMENTAL ASSISTANCE PROGRAM (REAP)

Background

REAP was born in the Depression when the Federal Government offered special subsidies to farmers in order to encourage better conservation practices such as land terracing, grassland reseeded, and the spreading of lime on fields to enrich them. (It was called the Agricultural Conservation Program then and was only recently renamed REAP).

The program was so successful that such conservation measures are now standard on American farms. Consequently, every President since Harry Truman has tried to get rid of this Federal subsidy.

In December, the Administration terminated REAP spending for FY '73, and the President's new budget recommends termination of all future Federal subsidies under REAP. The farm lobby objects as does, notably, the National Limestone Institute. In response, the House on February 7, 1973, passed H.R. 2107 by a 251–142 roll call vote.

Objections to Pending Bill

H.R. 2107 would do two things. First, it would restore \$225 million in authorized funds for REAP during FY '73. Secondly, as amended and passed by the Senate, the bill would require the Government to spend all FY '73 appropriations for the \$10 million Water Bank Program.

The Administration objects to REAP on several grounds:

There is no justification for subsidizing farmers for activities they would carry on anyway and which are really just part of the cost of doing business.

There is even less justification for such subsidies when farm income is booming: it reached a record \$19 billion in 1972 and the industry has never looked healthier.

Subsidies under REAP are unevenly distributed, benefitting only 20% of our farmers. Average payments last year were \$239.

Under these circumstances, REAP should be discontinued so that we can keep a firm lid on the budget.

As to the Water Bank Program, it has been cut by the Administration because it overlaps other programs now under Interior protection and enhancing migratory waterfowl.

The President's Record

It has been generous for both farm conservation and protection of wetlands:

Funding for the Soil Conservation Service (SCS) will have increased by a third from FY 1969 to FY 1974 (\$158 million in FY 74).

SCS now provides technical assistance to over one million landowners and operators each year.

From 1962 to 1972, the Interior Department acquired rights to over 1.1 million acres of wetlands to preserve these areas for migratory waterfowl. President Nixon is also asking the Congress this year to pass new tax laws, which would discourage unwise residential or commercial development in our coastal wetlands.

Overall, REAP appears to be one of the most outrageous examples of mis-guided Federal spending.

Rural Environmental Assistance Program (REAP)

The latest and most vociferous charge by the Big Spenders is that President Nixon is coldly neglecting urgent domestic priorities and they have chosen to do battle with the President on a small 40-year old agricultural subsidy program that has long since accomplished its initial purpose and has been marked for repeal by every Chief Executive since Harry Truman.

The very choice of this program as the first test of will exposes the bankruptcy of the position adopted by the Big Spenders.

This outdated subsidy program now benefits only 20 percent of our farmers, for an average of \$239 a year, plus some agricultural suppliers and their Washington lobbyists.

More importantly, it would misdirect \$225 million of taxpayers' money to subsidize profit-making practices by a minority of the farmers—and this is a time when overall farm income has reached \$19 billion a year.

Every objective observer agrees that REAP:

Is a Federal pilot and demonstration program that has done its job. It should be retired.

Is a subsidy program that, while it still brings money to a minority of farmers, should not be paid for by all the taxpayers. It now involves practices that are an accepted part of doing farm business, and which would be done without REAP handouts.

Is a program in which all the taxpayers subsidize things that are profitable to only a few farmers, and which are no longer a valid Federal concern.

In Congressional hearings on legislation to force the President to reinstitute REAP, not a single conservationist or environmentalist testified for it.

On the other hand, the National Limestone Institute, a lobby group which represents the suppliers of limestone to farmers, is backing the effort in a big way. This private profit group has, among other things, mailed 15,000 letters urging reversal of the Administration's plan.

And as you might expect, behind that mailing lies a tale.

On February 7, of this year, the House voted 251-142 to require the continuation of REAP. The House rejected amendments that would have required it to see that the \$250 billion limit on the budget—which it favored last year—was assured before the REAP action was effective. It also rejected an amendment to limit REAP payments to farmers netting \$10,000 or less.

During the debate, it was pointed out that only 13 percent of the REAP payments go to long-range conservation practices. The limestone industry, as it turns out, makes a bundle off REAP each year—and that bundle is delivered almost directly from the U.S. Treasury.

If REAP survives, the taxpayers may find the paint industry proposing HEAP—Homeowners Environmental Assistance Program. Under such a plan, the Government would send \$239 each year to 20 percent of homeowners to subsidize painting of their exterior trim.

Settled and expectable personal expenses such as painting exterior trim should not be a Federal burden—nor should such settled and expectable expenses as carrying out basic conservation of a farm.

RURAL WATER AND SEWER GRANTS

Background

Under legislation enacted in 1965, the Farmers Home Administration has provided grant and loan funds to rural communities for construction of water and sewer systems serving health, environmental and economic development pur-

poses. In 1972, Congress appropriated \$150 million for this program in fiscal 1973. At the same time, however, Congress substantially increased EPA grant funds for the same purpose.

After expenditure of \$30 million of the FHA's \$150 million, the Administration terminated the grant portion of the program in January, 1973 because of EPA's takeover. FHA loans for water systems were allowed to continue. Subsequently, the House has passed and the Senate has under consideration H.R. 3298 which would force the Administration to obligate all of the remaining FHA water and sewer grant funds, thus continuing an unnecessary program.

Objections to Pending Bill

The Administration objects to H.R. 3298 because it would:

Duplicate the larger grant program of EPA.

Require the President to spend what has been appropriated for the FHA program without any regard for overall Federal expenditure limitations.

Exceed the President's 1974 budget by \$148 million, contributing to inflationary and tax increase pressures.

The President's Record

Under the Nixon Administration, EPA grant funds for waste disposal have increased from \$425 million in 1970 to \$3.4 billion proposed for 1974.

FHA loan funds (as opposed to grants) for rural water and sewer facilities have increased from \$146 million in 1970 to \$345 million proposed for 1974.

NOTE.—There is no speech insert attached on this program. For rhetorical purposes, there is really one basic argument against it, namely, that the FHA grants are duplicative funds which serve little purpose other than creating additional inflationary pressures on the budget.

VETERANS LEGISLATIVE PACKAGE

Background

There are three veterans bills now pending before the Congress which are included among the 15 Trojan horses.

They are:

The *Omnibus Medical Bill*, which would admit wives, children, and widows of service-disabled veterans to care in VA hospitals, overloading the system and creating pressure for greatly expanded Federal financing of health care.

The *Burial Benefits* legislation, which raises the plot allowance for veterans not buried in national cemeteries from \$250 to \$400. Veterans with service-connected deaths would receive an even higher allowance.

The *Drug Rehabilitation Bill*, which would require the VA to pay local drug centers for the treatment of veterans where the veteran, for any reason, did not utilize the existing drug rehabilitation services of the VA. This would encourage these non-VA centers to concentrate exclusively on veterans and would duplicate existing drug treatment for veterans.

Objections to Pending Bills

Two of the three veterans bills in the pending package exceed the President's fiscal 1974 budget by at least \$366 million. There is no reliable estimate for the Drug Rehabilitation Bill; but the Senate Veteran Affairs Committee has reported that it will cost approximately \$144 million according to their sources.

Many individual programs in the three bills duplicate existing services which are already due for substantial increases within the President's spending limits.

Much of the legislation is premature, and does not anticipate programs the President is or will be proposing.

The Administration's Position

Under President Nixon, medical care for veterans has increased 83 percent to \$2.6 billion; the number of patients treated is up more than one-third to one million; VA medical personnel is up by one-sixth; burial benefits have increased almost 20 percent to \$85 million; and veterans drug treatment assistance had quadrupled to \$26 million.

The President has proposed reforms to broaden the availability of health care for all Americans; he will propose a revised veterans burial program, and he has expanded and made more flexible drug treatment programs for veterans.

Veterans Legislative Package on Medical Care, Burial Benefits, Drug Treatment

There has been no administration with more respect and concern for veterans than the present one. President Nixon is both grateful and dedicated to all those who have served their country in the armed forces, many at great personal

sacrifice. And he is determined that they be given every assistance possible in time of need and in achieving productive civilian careers.

To back up his determination, President Nixon has increased medical care for veterans 83 percent during his Administration, increased personnel in Veterans Administration medical facilities by one-sixth, raised veterans burial benefits almost 20 percent, and quadrupled drug treatment and rehabilitation capacity for veterans. The total being spent on these programs now is more than \$2.7 billion.

At the same time, the President is planning to propose new programs of burial benefits and expanded drug treatment that will broaden both categories of Federal assistance to veterans.

But the Congress is now challenging the President with some ill-considered and premature legislation. The legislation consists of a package of three bills.

One would admit the wives, widows and children of service-disabled veterans to care in the Veterans Administration medical system—seriously overloading current facilities.

The second adds a \$150 plot allowance for veterans not buried in national cemeteries to the \$250 burial allowance all veterans now receive and adds a still higher payment for veterans who die from service-connected disabilities.

And the third calls for the VA to pay local centers for veterans' drug treatment, adds a new alcoholism program, and provides treatment assistance to dishonorably discharged addicts.

Despite the fact that this is all well-meaning legislation, some of the programs proposed in this package duplicate services that are already available to veterans. They would also cost several million dollars, contributing to higher taxes or more inflation for everyone.

The medical care bill would overload the VA hospital system and create pressure for even more Federal health care and higher health care costs. It would cost \$1 billion during its first 5 years.

The Burial Benefits bill actually works some inequities among veterans themselves.

And the drug bill could lead to local drug centers going after federally-financed veterans business to the exclusion of all other persons who need help.

President Nixon does not intend to get into a contest with the Congress to see who can do more for veterans. Making generous and constructive improvements in veterans programs need not be done to the economic detriment of all Americans. High inflation and higher taxes do not distinguish between veterans and non-veterans.

VOCATIONAL REHABILITATION LEGISLATION

Background

As in the aging field, the Nixon Administration has an impressive record of assistance for vocational rehabilitation: funding has been increased from \$403 million in FY '69 to \$650 million in FY '74, an increase of 62% in only 5 years. In making the hard decisions about spending priorities, the Administration believes that \$650 million is as much as we can or should spend in this field.

Last year the Congress presented the President with a much more expensive bill and he pocket vetoed it. Now several similar bills have been passed by the Senate and House; one should soon be on the President's desk.

Objections by Administration to Pending Bills

Expense: Authorization costs of the different bills range from \$466 million to \$845 million more than the FY '74 budget.

The legislation duplicates many existing programs at HEW and VA.

Several new bureaucracies would be required.

New categorical grants would be established at a time we're trying to cut them back.

And vocational rehabilitation would take an ominous turn *toward* welfare and away from training handicapped people to support themselves.

The President's Record

Under President Nixon, vocational rehabilitation funding has increased by 62%, as noted.

In addition, the Disability Insurance Trust Fund will provide \$66 million in FY '74, almost a four-fold increase over FY '69.

An additional \$40 million for Vocational Rehabilitation will be available in FY '74 from the new Supplemental Security Income Program.

Vocational Rehabilitation

Congress is playing political football with your wallet.

The political game-playing comes from the fact that most of this legislation involves extremely popular humanitarian programs. The Congress thereby scores points for itself and then hands the ball to the President, putting him on the spot.

President Nixon is left with little choice. He is forced either to play the game or to reject or reduce these popular programs in order to defend your dollar.

A very good example of this situation is the recent passage by both the House and the Senate of new vocational rehabilitation legislation.

Vetoed last year by the President for sound reasons, the same legislation is once again on its way to the White House.

Depending on the final version, it is anywhere from half a billion to almost a billion dollars more than President Nixon asked for. That becomes suspect because the President's request for \$650 million for vocational rehabilitation next year represents a 62 percent increase over the amount of money being spent on the program when he took office.

The legislation is filled with new programs and new layers of bureaucracy, many of which either duplicate existing services or would proliferate Federal programs to the point where their efficiency and effectiveness would be diminished.

It also turns the program in the direction of becoming a welfare service for the handicapped instead of one that helps them to be more self-sufficient by teaching them job skills, as it has been doing successfully for more than 50 years.

With a higher price tag and more trimmings, the legislation can actually do a disservice to the handicapped by falsely raising their hopes.

The battlelines are drawn between a spendthrift Congress playing political games and a courageous President determined to protect your wallet.

You are the scorekeeper. How would you decide it?

Chairman HUMPHREY. We can also put the spotlight on these matters by inviting expert witnesses to analyze the administration's budget spending reform proposals. Today we are fortunate to have the Comptroller General of the United States, who brings considerable expertise to the question of program evaluation. Following Mr. Staats, we will hear from Wilbur Cohen, former Secretary of the Department of Health, Education, and Welfare, and Lester Thurow, professor of economics at the Massachusetts Institute of Technology. Both Mr. Cohen and Mr. Thurow have practiced and written extensively in the field of government finance and program evaluation.

Now, I might add that there are so many of these demeaning statements in the 145-page document that I am going to ask the subcommittee of the Joint Economic Committee to analyze every page and to draw from it those statements and assertions which cast reflection upon the Congress, or tend, as was stated here earlier, to either support or defeat legislation pending before the Congress.

We will come back later on to the propaganda kit.

And now we will proceed with the testimony of our first witness, the Comptroller General, Mr. Staats.

And I want to express on behalf of the total committee our thanks for your constant and continuing effective cooperation with the Congress. We are very proud of the Office of General Accounting, and the Comptroller General's Office, for its unbiased, impartial, objective service to the American people and its responsibility to the Congress in fulfilling requests from this body.

Please proceed, Mr. Staats.

**STATEMENT OF HON. ELMER B. STAATS, COMPTROLLER GENERAL
OF THE UNITED STATES, ACCOMPANIED BY GREGORY J. AHART,
DIRECTOR OF THE MANPOWER AND WELFARE DIVISION; AND
FRANKLIN CURTIS, ASSOCIATE DIRECTOR**

Mr. STAATS. Thank you, Mr. Chairman.

I will be glad to comment with reference to the matter to which you have just referred after I have completed my statement, if I may.

I will start by saying, we are very pleased to be able to respond to your requests.

The committee has furnished us with certain materials supplied by the Office of Management in response to your requests for justification of the items listed in the fiscal 1974 budget as "outlay savings from program reductions and terminations, 1973-1975." In your letter of April 12, the committee requested our analysis of these justifications "in terms of their general professional competence, to what extent they provide an analytical explanation of why the budget cuts were made, if adequate consideration was given to the impact the cuts would have on sectors of the economy, and to what extent the administration's budget cuts represent real savings in budget outlays for fiscal 1974." The committee further wished to have our judgment as to whether we believe that the material provided the committee "is an adequate basis for Congress to make decisions about the benefits and costs of the programs being terminated or reduced."

Our response to the committee's request must necessarily be limited for several reasons. First, we have had an extremely short time to review the material. As you recognize, the material supplied by the Office of Management and Budget is extremely brief. The discussion in the budget documents itself is even less complete. Second, we have not obtained backup information from the Office of Management and Budget, and moreover, agency budget justifications are not available to us. Normally, the subcommittees of the appropriations committees or the legislative committees, where applicable would examine through agency hearings the detailed basis for the types of reductions and program modifications outlined in the material supplied to the committee.

With this overall qualification, we are happy to provide such comments as we can in our presentation today.

First of all, there is nothing new about the idea of having a section in the budget dealing with savings from program modifications and terminations. This has been common practice of different Presidents over many years. Undoubtedly, the reductions listed in the 1974 budget include possibly more items and are probably more controversial than any which I can recall, and there may well be items which are improperly included in a list described as program reductions and terminations. In some instances, for example, it would appear that a reduction below the agency's request is included as an outlay savings. I note, for example, on page 53, an item, entitled "reduce procurement of Safeguard, aircraft, missiles, and ships," involving savings of \$650 million in 1974 and \$1.3 billion in 1975. I assume that the decision not to proceed with an ABM site in the Washington area accounts for this

in part but the portion relating to aircraft, missiles, and slips would appear to be simply a reduction below the Defense Department's request. A cursory review of the list would indicate that this is true with a number of other items.

We all recognize that agency requests almost without exception exceed the amounts which the President finds possible to include within the total which he is prepared to support. If the logic of including these items were to be pursued, the list would have included all reductions below agency requests. It is difficult to understand how these can be accurately considered as "outlay savings."

The second type of question relates to the appropriateness of including as an "outlay savings" the increased return of lease sales on the Outer Continental Shelf to increase domestic oil production which is taken in the budget as an offset to expenditures. The item involves more than \$1.5 billion in the 2 years 1974 and 1975. A similar question relates to the return to the United States of advances to the Organization for European Cooperation and Development resulting from termination of the European Monetary Agreement on December 31, 1972. Under this agreement, the OECD agreed to return the original U.S. contribution and a portion of the funds earnings; \$241.5 million, representing \$118 million in cash and a \$123.5 million in claims against the Treasury, were taken as a receipt in the budget offsetting 1973 foreign economic assistance outlays. In my opinion, both these items should have been properly considered as receipts rather than savings. If they had been considered as receipts, they would have, of course, entered into the totals of the budget deficit and surplus but not in a list of outlay savings.

Still another question is illustrated by the termination of categorical community development programs in favor of urban special revenue sharing. The termination of model cities, urban renewal, and other community development programs is shown as a savings of approximately \$750 million. These are more than offset by a legislative proposal of \$2.3 billion for special revenue sharing elsewhere in the budget document. Nevertheless, the item is carried as an outlay saving. A similar question arises with respect to the savings which are listed under income security on page 52 where it would appear that the budget takes credit for the lower statutory ceiling enacted by the Congress on social services grants. This action had been taken prior to the preparation of the budget and it is, therefore, difficult to understand the rationale of its inclusion in the list of projected outlay savings. With the legislative change, the amount could not have increased and, therefore, no savings would have taken place.

A different type of question arises with respect to the item on page 57 where savings of \$390 million are attributed to a change in the allocation of retirement costs from the Civil Service Retirement Fund to the Postal Service. These costs will be incurred and must be paid for out of one fund or the other, that is, they must be paid for either out of general revenues or postal revenues, or from transitional Postal Service appropriations. Incidentally, the Postal Service disagrees that the change in the funding to the Postal Service can be accomplished without legislation.

These questions are not intended to be critical of the need for the budget formulation process to examine all possibilities for savings

whether they be through management improvements, program reductions and terminations, or whether they be through recasting programs to achieve the benefits at lower costs or more effectively at the same cost. This is a legitimate and important function of the budgetary process. At the same time, under the Budget and Accounting Act, Congress must examine each such recommendation or proposed action by the President to determine the desirability of the proposed action including the validity of the claimed savings associated with the proposed action. In other words, are the claimed savings "real" savings or do they appear somewhere else in the budget under a different heading and are the savings realistic appraisals as to desirability of reducing or terminating a program and substituting in its place a different approach? Accordingly, regardless of the existence of or the adequacy of studies in support of proposed budgetary proposals, value judgments will always play an important part in the overall budget formulation and review process.

My general point is that the questions which the committee is addressing are difficult to separate from the review of the entire budget submitted by the President to the Congress. Unquestionably, the committees which will be reviewing individual agency budget requests and considering legislative proposals of the executive branch will examine them in detail. It is important, however, to recognize at the same time that many questions can legitimately be raised with respect to the validity of the figures which have been included in the total list of outlay savings as well as the propriety of including certain proposed actions on the list. In other cases, the committee may wish to address itself to analytical studies in greater depth bearing upon the substance of the proposed actions.

ADEQUACY OF "ANALYTICAL JUSTIFICATION"

With regard to whether adequate consideration was given by the administration to the impact the cuts would have on sectors of the economy, our conclusion is that the material standing alone does not reveal this. We can assume that the administration considered many factors in arriving at decisions as to what and how much to cut. The adequacy of such consideration, however, would be extremely difficult to assess in the time available even if information and data much more in depth than the OMB material were readily available. Some of the kinds of questions which could be addressed in analytical studies and on which information would be necessary or desirable before congressional action can be illustrated by selected examples drawn from those actions requiring substantive legislation listed on page 50 of the Budget.

The first action listed proposes to eliminate a present option for a lump-sum payment with reduction of subsequent monthly benefits for certain beneficiaries of the old-age, survivors, and disability insurance program, with estimated budget outlay savings of \$310 million in each of 1974 and 1975. The OMB material does not discuss the original purpose in granting an option to the beneficiaries and the extent to which this purpose might be compromised by the proposed legislation change. Also, the material does not disclose the basis for the estimates or whether they considered the offsetting effect of higher

monthly benefits against the savings from elimination of the lump-sum payments.

The third action listed proposes to legislatively reform cost-sharing under the medicare program as well as to implement effective utilization reviews in that program. The OMB material does not provide information on how the estimated 1974 and 1975 budget outlay savings of \$616 million and \$1.3 billion were arrived at, or how much of these amounts are attributable to the proposed legislative and administrative actions, respectively. Also, the material does not indicate whether the estimates considered the extent to which the increased medicare deductible and copayment amounts and resultant reductions in budget outlays would be offset by increased financing of such deductible and copayment amounts by the Federal and State governments under the medicaid program.

The fifth action listed would eliminate duplicate burial benefits through legislation requiring that burial benefits for veterans of \$250 each be reduced by the amount of burial benefits available under the Social Security Act and other law. The OMB material does not indicate whether, in estimating reduced budget outlays of \$54 million annually, consideration was given to the increased costs of administration which would be required to determine in each individual case the entitlement amount for burial benefits.

The sixth action would legislatively require the income of spouses to be considered in determining amounts of veterans' pensions, contributing to an estimated savings of budget outlays of \$223 million in 1974 and \$227 million in 1975. The OMB material does not provide information on how the income of a spouse will be considered in computing pension benefit amounts and does not indicate whether consideration was given in the estimates to the possible disincentive the spouse might have to work to supplement the family income.

These examples suggest only a few of the types of information which should be available to the Congress prior to action on the contemplated legislative proposals.

VALIDITY OF THE AMOUNT OF CLAIMED SAVINGS IN BUDGET OUTLAYS

As pointed out in the subcommittee staff study released last Friday, the question of whether claimed savings in budget outlays are real presents some problem of definition. In general, we would not disagree with the statements on page 6 of the staff study that an outlay savings could result from either a reduction in the level of program outlays from one year to the next, or an action that leads to a reduction in the rate of increase in outlays, as authorized or contemplated by existing law, from one year to the next. In other words, funds which in the absence of the specific action would have been expended, will not be expended.

Although it appears that many of the "savings" shown in the budget listing of program reductions and terminations follow this definition, not all of the "savings" can be considered permanent, since many of the actions are in the nature of deferrals of outlays to later periods rather than permanent reductions. Also, although certain of the "savings" appear to be permanent in the context of the particular program being reduced or terminated, they seem to be at least partially offset or

eliminated by increases or contemplated increases in other parts of the budget or by reductions in receipts.

We have prepared a series of schedules which are attached to my statement,¹ which classify the different "savings" items for fiscal year 1974 in accordance with the characteristics I have discussed and certain other characteristics. These classifications were prepared by my staff rather quickly and generally, using only information contained in the budget and the OMB material. Accordingly, we are sure that with more time and information, the classifications could be improved upon and refined.

I believe it would be useful here to illustrate the different kinds of savings, with a few examples.

With regard to deferred expenditures or outlays, the first item on page 50 again illustrates a point. Although the legislative elimination of optional lump-sum payments under the OASDI program is estimated to reduce outlays in each of 1974 and 1975 by \$310 million, the savings will be generally offset by increased monthly benefit payments in future years.

The fiscal year 1974 savings of \$471 million for the Corps of Engineers and \$123 million for the Bureau of Reclamation—items 30 and 55 in the OMB material—also appear to represent largely deferrals of outlays through deferring or slowing down construction projects.

As previously mentioned, the termination of several community development programs illustrate savings in budget outlays in one part of the budget which will be offset by contemplated increases in other parts of the budget. As another example of possible offset, item 16 of the OMB material indicates that some part of a \$94 million 1974 savings will be due to shifting some forest road construction from direct Federal funding to financing by timber purchasers with corresponding allowances against the purchase price. Accordingly, it would appear that much of the outlay savings would be offset by reduced receipts.

In addition to the characteristics I've mentioned and illustrated, many of the savings in budget outlays are dependent upon either substantive legislative action or upon the successful implementation of administrative improvements and reforms. As we all know, many legislative proposals require careful and time-consuming congressional consideration and debate. Accordingly, some of the estimated savings may not be achieved or achieved when expected, due to delays in the legislative process.

I should add here that to the best of my knowledge, they have assumed in all cases where legislation is required, that that legislation would be enacted and the savings could be effected as of July 1.

Also, as much as administrative improvement and reform may be desired and justified, it is often difficult to bring about. For example, item 49 in the OMB material relates to eliminating overpayments and payments to ineligible recipients of public assistance, with savings of \$592 million in each of 1974 and 1975. We all know that this area has been difficult to administer for many years; and it is quite likely that, as desirable as improvements may be, all improper payments will not be eliminated.

¹ See attachment, p. 86.

As mentioned, our testimony today is intended to be responsive to your basic questions rather than to represent a complete or intensive review of the program reductions and terminations proposed in the budget. We will be happy to lend our assistance to the subcommittee in the future analysis of selected termination and reduction items in the future.

This concludes my statement. We will be happy to respond to your questions.

I am sure you are aware that the list of items in the budget that are included in the list, is a very long list.

And some of them may be worthy of analysis much more than others.

And some of them can be answered fairly easily, and some are fairly difficult.

Chairman HUMPHREY. Thank you very much, Mr. Staats.

And we are going to include also in the record the additional information you have given to us on the programs, reductions, and terminations listed on pages 50 through 57 of the budget, the documentation which you have presented.

Mr. STAATS. We would appreciate it.

[The document follows:]

GENERAL ACCOUNTING OFFICE CLASSIFICATIONS OF PROGRAM REDUCTIONS AND TERMINATIONS LISTED ON PAGES 50 THROUGH 57 OF THE BUDGET OF THE UNITED STATES GOVERNMENT, FISCAL YEAR 1974, BASED ON INFORMATION SUBMITTED TO THE SUBCOMMITTEE ON CONSUMER ECONOMICS, JOINT ECONOMIC COMMITTEE, BY THE OFFICE OF MANAGEMENT AND BUDGET ON MARCH 19, 1973

(NOTE.—Numbers used to designate the outlay savings on the several schedules are the same as those used on the Office of Management and Budget submission.)

1.—SUMMARY OF SAVINGS BY CLASSIFICATIONS

Classification	Amounts (millions)	
	Fiscal year 1974	Fiscal year 1975
A. Those dependent on enactment of substantive legislation.....	\$597.0	\$622.0
B. Those dependent on substantive program actions not requiring legislation.....	8,396.4	13,310.4
C. Those dependent on actions of an administrative nature.....	4,155.0	4,060.0
D. Those dependent on more than 1 type of action.....	3,745.0	3,747.0
Total.....	16,893.4	21,739.4

2A.—THOSE DEPENDENT ON ENACTMENT OF SUBSTANTIVE LEGISLATION

Item number		Savings (millions)	
		Fiscal 1974	Fiscal 1975
Department of Health, Education, and Welfare:			
1.....	Eliminate certain optional payment procedures under OASDI.....	\$310	\$310
2.....	Eliminate Federal financing for low-priority medicaid services to adults.....	75	100
4.....	Improve structure of public assistance programs.....	158	158
Veterans' Administration:			
5.....	Eliminate duplicate burial benefits.....	54	54
Total (4).....		597	622

2B.—THOSE DEPENDENT ON SUBSTANTIVE PROGRAM ACTIONS NOT REQUIRING LEGISLATION

Item number	Agency and program	Savings (millions)	
		Fiscal 1974	Fiscal 1975
	Funds appropriated to the President:		
	Foreign economic assistance:		
7.....	Reduce programs of the Agency for International Development below levels previously budgeted.	\$62.0	\$170.0
	Office of Economic Opportunity:		
9.....	Reassign OEO activities and discontinue direct Federal funding of community action organizations leaving support to local decision.	328.0	390.0
	Department of Agriculture:		
14.....	Eliminate cost-sharing for installation of soil and water management practices on private lands and make corresponding reductions in technical assistance given through conservation programs.	258.0	259.0
15.....	Limit the special milk subsidy to institutions not receiving subsidized milk through free and reduced price child feeding programs.	59.0	77.0
	Department of Commerce:		
18.....	Phase out Economic Development Administration programs in favor of more focused and consolidated efforts to stimulate economic development.	35.0	56.0
19.....	Redirect or defer selected R. & D. programs of the National Oceanic and Atmospheric Administration which are not directly focused on national objectives or not critical now.	41.0	-----
20.....	Limit planned expansion of selected science and technology programs of National Bureau of Standards which could be delayed without significant adverse impact.	10.0	7.0
21.....	Modify planned expansion of minority business enterprise program due to recent rapid growth in program and need to evaluate effectiveness.	-----	-----
23.....	Provide planning funds directly to States for support of regional commissions and eliminate Federal participation.	27.0	44.0
	Department of Defense—Military:		
25.....	Reduce procurement of Safeguard, aircraft, missiles, and ships.....	650.0	1,300.0
26.....	Limit growth in research, development, test, and evaluation programs.	200.0	200.0
27.....	Reduce construction associated with Safeguard deployment, bachelor housing, and family housing.	50.0	200.0
	Department of Defense—Civil: Corps of Engineers:		
30.....	Slow scheduling of less critical navigation and flood control projects while meeting essential flood control, power, and water supply demands.	471.0	650.0
	Department of Health, Education, and Welfare:		
	Health:		
33.....	Rely on Federal health financing mechanisms to pay depreciation charges in place of medical facilities grant program and achieve quality care objectives through the professional standards review in place of the regional medical program.	189.0	206.0
34.....	Phase out over an 8-year period, Federal financing for local mental health programs.	63.0	75.0
35.....	Eliminate duplicative health program grants.....	53.0	53.0
36.....	Phase out training grant over a 3-year period and control the level of research grants in selected nonpriority areas.	57.0	67.0
37.....	Focus health manpower training support on areas of special need.	49.0	54.0
	Education:		
	Substitute education revenue sharing for the Federal funding component of certain education programs and discontinue the Federal role in some areas:		
38.....	Foreign language and area training programs.....	13.0	14.0
39.....	Land grant college support.....	10.0	10.0
40.....	University community services.....	15.0	15.0
41.....	State departments of education.....	36.0	13.0
42.....	Payments to local school systems for certain federally related students.	119.0	120.0
43.....	Public libraries and school library resources.....	49.0	135.0
43A.....	Certain narrowly focused categorical programs.....	53.0	76.0
44.....	Substitute private market mechanism for Federal capitalization of direct student loans.	264.0	288.0
	Income security:		
45.....	Limit outlays through the operation of the Administration-supported statutory ceiling on social services grants (already enacted by the Congress).	2,700.0	4,700.0
46.....	Adjust the growth rate for vocational rehabilitation program.....	31.0	26.0
47.....	Limit to 5 years Federal funding responsibility for Cuban refugees.....	58.0	98.0
48.....	Institute quality control for social services research and training.....	31.0	62.0
	Department of Housing and Urban Development:		
	Terminate categorical community development programs in favor of urban special revenue sharing:		
51.....	Model Cities.....	-----	435.0
52.....	Urban renewal.....	-----	180.0
53.....	All other.....	7.0	130.0
	Department of the Interior:		
54.....	Reduce construction activity on some roads and other capital improvements of relatively low priority in national parks, public lands, and Indian areas to less than anticipated rates in 1973 and 1974.	10.0	13.0

2B.—THOSE DEPENDENT ON SUBSTANTIVE PROGRAM ACTIONS NOT REQUIRING LEGISLATION—Continued

Item number	Agency and program	Savings (millions)	
		Fiscal 1974	Fiscal 1975
Department of the Interior—Continued			
55.....	Schedule water resources development construction by Bureau of Reclamation at less than anticipated rates except for hydropower and water supply projects.	\$123.0	\$113.0
56.....	Reorient saline water program to emphasize research on new technologies and deemphasize construction of large-scale test plants of known technology.	14.0	21.0
57.....	Constrain land purchases for Federal recreation and wildlife areas and grants to States for purchase of recreation areas in 1973 and 1974 below anticipated levels.	61.0	46.0
Department of Justice:			
60.....	Review prison construction program for its relationship to State and local facilities and impact of alternatives to incarceration on Federal prison population.	28.0	-----
Department of Labor:			
63.....	Phase down the emergency employment assistance program consistent with the increase in new jobs in the private sector.	670.0	700.0
Department of Transportation:			
68.....	Defer lower priority Coast Guard construction and research contracts....	14.0	10.0
69.....	Reschedule FAA equipment purchase and long-range research that are not essential to air safety.	35.0	-----
70.....	Delay airport grants due to environmental and other problems.....	-----	-----
71.....	Reorder high-speed rail research and development, placing greater emphasis on near-term needs and deferring projects where results are not required for several years.	41.0	5.0
72.....	Reduce operating subsidies for Amtrak.....	27.0	-----
73.....	Focus UMTA research and development on immediate improvement programs and hold up contracts for some hardware developments awaiting additional studies and evaluations.	26.0	5.0
74.....	Rephase intermodel transport research and development, focusing on immediate problems. Reduce selected research and development projects whose results are not required in the near term.	7.0	6.0
75.....	Increase efficiencies of Coast Guard operations.....	10.0	3.0
Department of the Treasury:			
78.....	Delay construction of Federal Law Enforcement Training Center to assure resolution of environmental impact problems.	12.0	-----
Atomic Energy Commission:			
81.....	Reduce space electric power and propulsion programs because of no current mission requirements.	12.0	18.0
Environmental Protection Agency:			
84.....	Action related to Federal Water Pollution Control Act amendments of 1972.	950.0	1,950.0
National Aeronautics and Space Administration:			
88.....	Delay the space shuttle to provide for a more orderly program buildup..	45.0	75.0
89.....	Reduce other manned space flight.....	47.0	10.0
90.....	Defer the high-energy astronomy observatory to allow NASA to study same program objectives at lower cost.	68.0	56.0
91.....	Cancel application technology satellite-G because research can be funded by industry without Government support.	17.0	16.0
92.....	Reduce nuclear power and propulsion research since prospective applications are in the distant future.	16.0	18.0
93.....	Cancel experimental STOL aircraft because of uncertainty on the timing of a commercial market.	34.0	20.0
94.....	Reduce other technology and support consistent with the slower pace of the space program.	-----	-----
95.....	Reduce NASA personnel and administrative expenses consistent with program reductions.	24.0	24.0
Veterans Administration:			
98.....	Restructure research in line with current needs.....	13.0	27.0
Civil Service Commission:			
99.....	Limit the level of the intergovernmental personnel assistance grant program pending evaluation.	1.0	5.0
Corporation for Public Broadcasting:			
101.....	Maintain previous years level of support.....	-----	-----
National Science Foundation:			
102/103....	Curtail lower priority institutional and also educational programs, pending development of plans to meet new program objectives. Reductions due to effect of the above curtailment and other selective reductions.	32.0	-----
Small Business Administration:			
104.....	Reduce direct business loan program of Small Business Administration as needs are met by increased participation of private banking community through SBA guaranteed loans.	41.0	34.0
Subversive Activities Control Board:			
105.....	Terminate as a result of court decisions limiting workload.....	.4	.4
Tennessee Valley Authority:			
106.....	Slow scheduling of construction activity on projects underway and postpone increases in other programs.	30.0	25.0
Total (65).....		8,396.4	13,310.4

2C.—THOSE DEPENDENT ON ACTIONS OF AN ADMINISTRATIVE NATURE

Item number	Agency and program	Savings (millions)	
		Fiscal 1974	Fiscal 1975
Funds appropriated to the President			
Foreign economic assistance:			
8.....	Arrange for return of amounts advanced previously.....		
Department of Agriculture:			
10.....	Reducing the cost of farm price support programs consistent with rising farm income prospects and achievement of foreign sales agreements:		
	Reducing direct payment to farmers.....		
	Stopping export subsidies.....		
	Increasing crop loan interest.....	\$1,219.0	\$1,234.0
	Terminating old crop loans.....		
	Tightening storage facility loan eligibility.....		
13.....	Decrease the large interest subsidy by the Rural Electrification Administration through use of Rural Development Act 5-percent insured loans vice 2 percent direct loans.....	373.0	695.0
Department of Defense-Military:			
29.....	Tighten operations of revolving and management funds.....	200.0	100.0
Department of Health, Education, and Welfare:			
Health:			
31.....	Strengthen medicare cost controls and eliminate unnecessary advance payments for hospital services.....	277.0	431.0
32.....	Strengthen medicare management.....	175.0	200.0
Income security:			
49.....	Eliminate overpayments and payments to ineligible recipients of public assistance and introduce management improvements.....	592.0	592.0
Department of the Interior:			
58.....	Increase rate of lease sales on Outer Continental Shelf to increase domestic oil production thereby reducing outlays.....	1,010.0	510.0
59.....	Reduce other costs not accounted for in program reductions above.....	2.0	
Department of Labor:			
64.....	Increase efficiency of employment and unemployment insurance services.....	35.0	35.0
66 ¹	Allocate proper unemployment benefit costs to the Postal Service.....	26.0	26.0
Department of Transportation:			
76.....	Stretch out the termination payments on the SST.....		
77.....	Increase efficiencies of FAA operations.....	20.0	
Department of the Treasury:			
79.....	Reduce personnel, travel, and related costs.....	9.0	9.0
Atomic Energy Commission:			
83.....	Reduce inventory and working capital requirements.....	-35.0	
General Services Administration:			
85.....	Provide more efficient guard service in public buildings.....	3.0	3.0
86.....	Require more effective supply practices.....	25.0	
87.....	Reduce new computer procurements by improving utilization of existing equipment.....	9.0	
Veterans Administration:			
96.....	Reform veterans benefits administratively to align benefits and need.....	160.0	160.0
97.....	Reschedule construction activities.....	55.0	65.0
Pay raises for civilian agencies:			
108.....	Require absorption of most of January 1973 comparability increase.....		
	Total (21).....	4,155.0	4,060.0

2D.—THOSE DEPENDENT ON MORE THAN 1 TYPE OF ACTION

Department of Health, Education, and Welfare:			
3.....	Reform medicare cost-sharing and implement effective utilization review.....	\$616.0	\$1,300.0
Veterans Administration:			
6.....	Bring pensions into closer alignment with need.....	223.0	227.0
Department of Agriculture:			
11.....	Terminate rural water systems and water disposal grants which are replaced by loans, or to extent consistent with Water Pollution Control Act, EPA financing.....	100.0	150.0
12.....	Substitute regular loan assistance for emergency loans.....		
16.....	Achieve economies in the Forest Service through tightened management, reduced State forestry support, and shifting construction of forest roads to timber purchasers.....	94.0	106.0
17.....	Curtail anticipated growth in agriculture extension programs and reduce Federal support for agricultural research of primarily local benefit and low national priority.....	34.0	34.0
Department of Commerce:			
22.....	Adjust maritime ship operating subsidies due to delays in Russian grain shipments.....		
Department of Defense—Military:			
24.....	Reduce military and civilian personnel and other operations costs.....	1,200.0	400.0
28.....	Limit new spending for All-Volunteer Force and other legislation.....	400.0	500.0
Department of Housing and Urban Development:			
50.....	Temporarily suspend new commitments under housing subsidy programs.....	305.0	612.0

2D.—THOSE DEPENDENT ON MORE THAN 1 TYPE OF ACTION—Continued

Item number	Agency and program	Savings (millions)	
		Fiscal 1974	Fiscal 1975
61.....	Department of Justice: Return responsibility to functional agencies for community relations service technical assistance program.	\$4.0	\$4.0
62.....	Department of Labor: Reform manpower training programs administratively to accomplish the purposes of manpower special revenue sharing.	354.0	250.0
65.....	Tighten the operations and management in the Department.....	10.0	10.0
67.....	Department of Transportation: States are deferring highway projects because of a lack of legislative authority.	83.0	.....
80.....	Atomic Energy Commission: Reduce Plowshare program to permit further economic and environmental study.	3.0	3.0
82.....	Defer selected lower priority projects in the nuclear materials, weapons, civilian reactor, and research programs.	21.0	46.0
100 ¹	Civil Service Commission: Allocate proper retirement costs to the Postal Service.....	285.0	105.0
107.....	Washington Metropolitan Area Transit Authority: Use bond proceeds to even out level of Federal contribution to subway construction.	13.0	.....
Total (17).....		3,745.0	3,747.0

¹ May increase need for transitional appropriations for Postal Service.

3.—SUMMARY OF SAVINGS BY CHARACTERISTICS

Characteristic	Amounts (millions)	
	Fiscal year 1974	Fiscal year 1975
A. Timing changed with little effort on amount.....	\$1,563.0	\$2,393.0
B. Reduces outlays.....	7,457.4	9,463.4
C. Affects only internal executive branch proposals.....	2,450.0	2,400.0
D. Reduces outlays in 1 place, offset to some degree by other increases.....	.....	.....
E. Reduces outlays, offset by reductions in receipts.....	.....	.....
F. Increases receipts only; no significant effect on outlays.....	1,010.0	510.0
G. Reduction may be significantly offset by increased costs of administration.....	.....	.....
H. Reduction may be offset to some degree by changing incentive for work.....	.....	.....
I. Substitutes private for low interest Federal financing.....	373.0	695.0
J. More than 1 characteristic.....	4,040.0	6,278.0
Total.....	16,893.4	21,739.4

CHARACTERISTICS OF OUTLAY SAVINGS

4A.—TIMING CHANGED WITH LITTLE EFFECT ON AMOUNT

Item number	Agency and program	Savings (millions)	
		Fiscal 1974	Fiscal 1975
1.....	Department of Health, Education, and Welfare: Eliminate certain optional payment procedures under OASDI.....	\$310.0	\$310.0
20.....	Department of Commerce: Limit planned expansion of selected science and technology programs of National Bureau of Standards which could be delayed without significant adverse impact.	10.0	7.0
67.....	Department of Transportation: States are deferring highway projects because of a lack of legislative authority.	83.0	.....
68.....	Defer lower priority Coast Guard construction and research contracts....	14.0	10.0
69.....	Reschedule FAA equipment purchase and long-range research that are not essential to air safety.	35.0	.....
70.....	Delay airport grants due to environmental and other problems.....	.....	.....
71.....	Reorder high-speed rail research and development, placing greater emphasis on near-term needs and deferring projects where results are not required for several years.	41.0	5.0
73.....	Focus UMTA research and development on immediate improvement programs and hold up contracts for some hardware developments awaiting additional studies and evaluations.	26.0	5.0

CHARACTERISTICS OF OUTLAY SAVINGS—Continued
4A.—TIMING CHANGED WITH LITTLE EFFECT ON AMOUNT—Continued

Item number	Agency and program	Savings (millions)	
		Fiscal 1974	Fiscal 1975
74	Department of Transportation—Continued Rephase intermodal transport research and development, focusing on immediate problems. Reduce selected research and development projects whose results are not required in the near term.	\$7.0	\$6.0
76	Stretch out the termination payments on the SST		
78	Department of the Treasury: Delay construction of Federal Law Enforcement Training Center to assure resolution of environmental impact problems.	12.0	
84	Environmental Protection Agency: Actions related to Federal Water Pollution Control Act amendments of 1972.	950.0	1,950.0
88	National Aeronautics and Space Administration: Delay the Space Shuttle to provide for a more orderly program buildup.	45.0	75.0
106	Tennessee Valley Authority: Slow scheduling of construction activity on projects underway and postpone increases in other programs.	30.0	25.0
	Total (14)	1,563.0	2,393.0

4B.—REDUCES OUTLAYS

2	Department of Health, Education, and Welfare: Eliminate Federal financing for low-priority medicaid services to adults.	\$75.0	\$100.0
7	Funds appropriated to the President Foreign economic assistance: Reduce programs of the Agency for International Development below levels previously budgeted.	62.0	170.0
9	Office of Economic Opportunity: Reassign OEO activities and discontinue direct Federal funding of community action organizations leaving support to local decision.	328.0	390.0
10	Department of Agriculture: Reduce the cost of farm price support programs consistent with rising farm income prospects and achievement of foreign sales agreements: Reducing direct payment to farmers Stopping export subsidies Increasing crop loan interest Terminating old crop loans Tightening storage facility loan eligibility	1,219.0	1,234.0
12	Substitute regular loan assistance for emergency loans.		
21	Department of Commerce: Modify planned expansion of minority business enterprise program due to recent rapid growth in program and need to evaluate effectiveness.		
23	Provide planning funds directly to States for support of regional commissions and eliminate Federal participation.	27.0	44.0
29	Department of Defense—Military: Tighten operations of revolving and management funds	200.0	100.0
32	Department of Health, Education, and Welfare: Health: Strengthen medicaid management	175.0	200.0
33	Rely on Federal health financing mechanisms to pay depreciation charges in place of medical facilities grant program, and achieve quality care objectives through the professional standards review in place of the regional medical program.	189.0	206.0
38	Education: Substitute education revenue sharing for the Federal funding component of certain education programs and discontinue the Federal role in some areas: Foreign language and area training programs	13.0	14.0
42	Payments to local school systems for certain federally related students.	119.0	120.0
43	Public libraries and school library resources	49.0	135.0
43A	Certain narrowly focused categorical programs	53.0	76.0
45	Income Security: Limit outlays through the operation of the Administration-supported statutory ceiling on social services grants (already enacted by the Congress).	2,700.00	4,700.0
48	Institute quality control for social services research and training.	31.0	62.0
49	Eliminate overpayments and payments to ineligible recipients of public assistance and introduce management improvements.	592.0	592.0
56	Department of the Interior: Reorient saline water program to emphasize research on new technologies and deemphasize construction of large-scale test plants of known technology.	14.0	21.0
57	Constrain land purchases for Federal recreation and wildlife areas and grants to States for purchase of recreation areas in 1975 and 1974 below anticipated levels.	61.0	46.0
59	Reduce other costs not accounted for in program reductions above	2.0	

4B.—REDUCES OUTLAYS—Continued

Item number	Agency and program	Savings (millions)	
		Fiscal 1974	Fiscal 1975
Department of Labor:			
62	Reform manpower training programs administratively to accomplish the purposes of manpower special revenue sharing.	\$354.0	\$250.0
63	Phase down the emergency employment assistance program consistent with the Increase in new jobs in the private sector.	670.0	700.0
66 ¹	Allocate proper unemployment benefit costs to the Postal Service.	26.0	26.0
Department of Transportation:			
75	Increase efficiencies of Coast Guard operations.	10.0	3.0
77	Increase efficiencies of FAA operations.	20.0	
Department of the Treasury:			
79	Reduce personnel, travel, and related costs.	9.0	9.0
Atomic Energy Commission:			
81	Reduce space electric power and propulsion programs because of no current mission requirements.	12.0	18.0
82	Defer selected lower priority projects in the nuclear materials, weapons, civilian reactor, and research programs.	21.0	46.0
83	Reduce inventory and working capital requirements.	(35.0)	
General Services Administration:			
85	Provide more efficient guard service in public buildings.	3.0	3.0
86	Require more effective supply practices.	25.0	
87	Reduce new computer procurements by improving utilization of existing equipment.	9.0	
National Aeronautics and Space Administration:			
89	Reduce other manned space flight.	47.0	10.0
91	Cancel application technology satellite-G because research can be funded by industry without Government support.	17.0	16.0
92	Reduce nuclear power and propulsion research since prospective applications are in the distant future.	16.0	18.0
93	Cancel experimental STOL aircraft because of uncertainty on the timing of a commercial market.	34.0	20.0
94	Reduce other technology and support consistent with the slower pace of the space program.		
95	Reduce NASA personnel and administrative expenses consistent with program reductions.	24.0	24.0
Civil Service Commission:			
99	Limit the level of the intergovernmental personnel assistance grant program pending evaluation.	1.0	5.0
100 ¹	Allocate proper retirement costs to the Postal Service.	285.0	105.0
Subversive Activities Control Board:			
105	Terminate as a result of court decisions limiting workload.	.4	.4
Pay raises for civilian agencies:			
108	Require absorption of most of January 1973 comparability increase.		
Total (42)		7,457.4	9,463.4

4C.—AFFECTS ONLY INTERNAL EXECUTIVE BRANCH PROPOSALS

Department of Defense—Military:			
24	Reduce military and civilian personnel and other operations costs.	\$1,200.0	\$400.0
25	Reduce procurement of Safeguard, aircraft, missiles, and ships.	650.0	1,300.0
26	Limit growth in research, development, test, and evaluation programs.	200.0	200.0
28	Limit new spending for All-Volunteer Force and other legislation.	400.0	500.0
Total (4)		2,450.0	2,400.0

4D.—REDUCES OUTLAYS IN ONE PLACE OFFSET TO SOME DEGREE BY OTHER INCREASES

Department of Commerce:			
22 ¹	Adjust maritime ship operating subsidies due to delays in Russian grain shipments.		
Total (1)			

4E.—REDUCES OUTLAYS; OFFSET BY REDUCTIONS IN RECEIPTS

(See item 16 under L.)

4F.—INCREASES RECEIPTS ONLY; NO SIGNIFICANT EFFECT ON OUTLAYS

Item number	Agency and program	Savings (millions)	
		Fiscal 1974	Fiscal 1975
Funds appropriated to the President:			
8.....	Arrange for return of amounts advanced previously.....		
Department of the Interior:			
58.....	Increase rate of lease sales on Outer Continental Shelf to increase domestic oil production thereby reducing outlays.	\$1,010.0	\$510.0
Total (2).....		1,010.0	510.0

4G.—REDUCTION MAY BE SIGNIFICANTLY OFFSET BY INCREASED COST OF ADMINISTRATION

(See item 5 under L).

4H.—REDUCTION MAY BE OFFSET, TO SOME DEGREE BY CHANGING INCENTIVE FOR WORK

(See items 4 and 6 under L).

4I.—SUBSTITUTES PRIVATE FOR LOW-INTEREST FEDERAL FINANCING

Department of Agriculture:			
13.....	Decrease the large interest subsidy by the Rural Electrification Administration through use of Rural Development Act 5 percent insured loans vice 2 percent direct loans.	\$373.0	\$695.0
Total (1).....		373.0	695.0

4J.—MORE THAN ONE CHARACTERISTIC

Department of Health, Education, and Welfare:			
3.....	Reform medicare cost-sharing and implement effective utilization review.	\$616.0	\$1,300.0
4.....	Improve structure of public assistance programs.....	158.0	153.0
Veterans Administration:			
5.....	Eliminate duplicate burial benefits.....	54.0	54.0
6.....	Bring pensions into closer alignment with need.....	223.0	227.0
Department of Agriculture:			
11.....	Terminate rural water systems and waste disposal grants which are replaced by loans, or to extent consistent with Water Pollution Control Act, EPA financing.	100.0	150.0
14.....	Eliminate cost-sharing for installation of soil and water management practices on private lands and make corresponding reductions in technical assistance given through conservation programs.	258.0	259.0
15.....	Limit the special milk subsidy to institutions not receiving subsidized milk through free and reduced price child feeding programs.	59.0	77.0
16.....	Achieve economics in the Forest Service through tightened management, reduced State forestry support, and shifting construction of forest roads to timber purchasers.	94.0	106.0
17.....	Curtail anticipated growth in Agriculture extension programs and reduce Federal support for agricultural research of primarily local benefit and low-national priority.	34.0	34.0
Department of Commerce:			
18.....	Phase out Economic Development Administration programs in favor of more focused and consolidated efforts to stimulate economic development.	35.0	56.0
19.....	Redirect or defer selected R. & D. programs of the National Oceanic and Atmospheric Administration which are not directly focused on national objectives or not critical now.	41.0	
Department of Defense—Military:			
27.....	Reduce construction associated with Safeguard deployment, bachelor housing, and family housing.	50.0	200.0
Department of Defense—Civil: Corps of Engineers:			
30.....	Slow scheduling of less critical navigation and flood control projects while meeting essential flood control, power, and water supply demands.	471.0	650.0
Department of Health, Education, and Welfare:			
Health:			
31.....	Strengthen Medicare cost controls and eliminate unnecessary advance payments for hospitals.	277.0	431.0
34.....	Phase out over an 8-year period, Federal financing for local mental health programs.	63.0	75.0
35.....	Eliminate duplicative preventive health program grants.....	53.0	53.0
36.....	Phase out training grant over a 3-year period and control the level of new research grants selected in nonpriority areas.	57.0	67.0
37.....	Focus health manpower training support on areas of special need..	49.0	54.0

4J.—MORE THAN ONE CHARACTERISTIC—Continued

Item number	Agency and program	Savings (millions)	
		Fiscal 1974	Fiscal 1975
Department of Health, Education, and Welfare—Continued			
Education:			
Substitute education revenue sharing for the Federal funding component of certain education programs and discontinue the Federal role in some areas:			
39.....	Land grant college support.....	\$10.0	\$10.0
40.....	University community services.....	15.0	15.0
41.....	State departments of education.....	36.0	13.0
44.....	Substitute private market mechanism for Federal capitalization of direct student loans.....	264.0	288.0
Income Security:			
46.....	Adjust the growth rate for vocational rehabilitation program.....	31.0	26.0
47.....	Limit to 5 years Federal funding responsibility for Cuban refugees..	58.0	98.0
Department of Housing and Urban Development:			
50.....	Temporarily suspend new commitments under housing subsidy programs.....	305.0	612.0
Terminate categorical community development programs in favor of urban special revenue sharing:			
51.....	Model Cities.....		435.0
52.....	Urban Renewal.....		180.0
53.....	All other.....	7.0	130.0
Department of the Interior:			
54.....	Reduce construction activity on some roads and other capital improvements of relatively low priority in national parks, public lands, and Indian areas to less than anticipated rates in 1973 and 1974.....	10.0	13.0
55.....	Schedule water resources development construction by Bureau of Reclamation at less than anticipated rates except for hydropower and water supply projects.....	123.0	113.0
Department of Justice:			
60.....	Review prison construction program for its relationship to State and local facilities and impact of alternatives to incarceration on Federal prison population.....	28.0	
61.....	Return responsibility to functional agencies for community relations service technical assistance programs.....	4.0	4.0
Department of Labor:			
64.....	Increase efficiency of employment and unemployment insurance services.....	35.0	35.0
65.....	Tighten the operations and management in the Department.....	10.0	10.0
Department of Transportation:			
72.....	Reduce operating subsidies for Amtrak.....	27.0	
Atomic Energy Commission:			
80.....	Reduce Plowshare program to permit further economic and environmental study.....	3.0	3.0
National Aeronautics and Space Administration:			
90.....	Defer the high-energy astronomy observatory to allow NASA to study same program objectives at lower cost.....	68.0	56.0
Veterans Administration:			
96.....	Reform veterans benefits administratively to align benefits and need ..	160.0	160.0
97.....	Reschedule construction activities.....	55.0	65.0
98.....	Restructure research in line with current needs.....	13.0	27.0
Corporation for Public Broadcasting:			
101.....	Maintain previous years level of support.....		
National Science Foundation:			
102.....	Curtail lower priority institutional and also educational programs pending development of plans to meet new program objectives.....		
103.....	Reductions due to effect of the above curtailment and other selective reductions.....	32.0	
Small Business Administration:			
04.....	Reduce direct business loan program of Small Business Administration as needs are met by increased participation of private banking community through SBA guaranteed loans.....	41.0	34.0
Washington Metropolitan Area Transit Authority:			
107.....	Use bond proceeds to even out level of Federal contribution to subway construction.....	13.0	
Total (45).....		4,040.0	6,278.0

¹ May increase need for transitional appropriation for Postal Service.

* Savings were in fiscal 1973.

Chairman HUMPHREY. I also want to include at this point in the record the editorial from the morning Washington Post, "The Whos and the Whys of Budget Cuts."

[From the Washington Post, Apr. 18, 1973]

THE WHOS AND WHYS OF BUDGET CUTS

For months now, the administration's vast public relations campaign on behalf of the President's budget has featured two themes. One is that, thanks to congressional extravagance, federal spending had been threatening to soar out of sight until President Nixon boldly intervened to save the taxpayers from ruinous inflation, heavy tax increases or both. The complementary theme has been that the program slashes and terminations decreed by the President were based on the most exhaustive systematic review of federal operations ever made. As long ago as November 28, for instance, White House Press Secretary Ronald Ziegler told reporters at Camp David that Mr. Nixon "intends for the Office of Management and Budget to assume a new and expanded role . . . [and] undertake a comprehensive examination of all government programs now in existence to determine whether they are actually meeting the purpose for which they were designated."

Now, however, in a Joint Economic Committee staff study, just released by Senator Humphrey, comes word that those estimates of extravagant spending—and the claims of enormous cuts—are partly fiction and fluff. The real increases which produce legitimate concern, the study points out, are attributable as much to presidential initiatives as to congressional moves. From supposedly authoritative documents submitted to the committee by OMB emerges the impression that the administration's real cuts were not based on any comprehensive assessment of federal programs, but that the weeding was done instead mainly by slashing about in all directions. Finally, from OMB Director Roy Ash himself, comes a refusal to testify on these matters on grounds that OMB in general and Mr. Ash in particular should not be held accountable for the details of those painful cuts.

It is easy to see why the President's top budget officer was not too anxious to be interrogated about the 179 pages of "statements" which his agency submitted to Senator Humphrey to justify all those program cuts. The material cannot be dignified with the label of serious analysis, much less the exhaustive review, based on consistent standards, which administration rhetoric might lead one to expect. Most of the programs are written off in several lines of generalities. In some policy areas such as housing which are ripe for reform, the OMB papers do not even incorporate the detailed studies which have actually been made. In many other cases, the reason for cutting or ending a program boils down to the autocratic assertion that the government shouldn't be doing that, or shouldn't be doing it that way.

All in all, this material—and Mr. Ash's refusal to discuss it publicly—hardly promote either the President's professed goal of serious reform, or the image of OMB as an agency rich in management capability and analytic skill. The picture which emerges is that of a highly partisan wrecking crew, taking the occasion of a legitimate budget squeeze to demolish every domestic program which anyone thought was shaky in performance or suspect in principle. Senator Humphrey and his staff have performed a real service in debunking the "battle of the budget." Their work will be most valuable if it prods Congress to undertake on its own the serious reassessment which is needed, but which OMB apparently has not done.

Chairman HUMPHREY. One question that comes to mind is that since you were given a copy of the Joint Economic Committee staff study—and I know you didn't have as much time on this as you would have liked—have you found any errors of significance in the staff study that you might constructively bring to our attention at this time?

I say that because at the time I released it, I made it very clear that the study was the result of staff work, and we might very well have glossed over something very hurriedly or not done as thorough a job as we should have.

We don't claim it to be a definitive document. I just wondered whether, in your limited time and review of the staff you could call to our attention some of its shortcomings or any inadequacies.

MR. STAATS. I have read the staff study, Mr. Chairman. To the best of my knowledge, we have not any differences with what has been indicated there.

Mr. Ahart and Mr. Curtis here have given the matter more study than I have, and they may wish to respond to your questions.

Chairman HUMPHREY. Please.

MR. AHART. Mr. Chairman, my reading of the study was not an in-depth attempt to validate or critique the statements made in it.

But I really saw nothing there which I feel we should bring to your attention here today in terms of an improvement.

I don't see anything basically that we disagree with.

Chairman HUMPHREY. If you do find something in further examination, we want the record to be as accurate as possible and as fair as possible, so bring it to our attention.

Don't hesitate to give us by correspondence or statement your constructive criticism or analysis.

And it will be included in the record as a part of this testimony.

Mr. Curtis, do you have any comment that you would like to make?

MR. CURTIS. No, sir. I agree with the statement of Mr. Ahart. Basically, our review was done separately. And apart from that I have no comments to make other than what Mr. Ahart has already said.

Chairman HUMPHREY. Did you find any flagrant miscalculation or misrepresentation in that staff study?

MR. CURTIS. Nothing that we could point out at this time.

Chairman HUMPHREY. Did you find any misrepresentation that you could observe in the staff study?

MR. CURTIS. No, sir.

Chairman HUMPHREY. Mr. Staats.

MR. STAATS. Mr. Chairman, it seems to me—I guess the obvious point that you have already made is that we are both operating from a lack of information.

Chairman HUMPHREY. That has been our problem.

MR. STAATS. So that anything that was said in the staff study or in our analysis here has to be qualified to some degree in that respect.

I do think, however, that it might be useful if there could be further discussion as to what really can be appropriately placed on a list of savings in a real sense.

I have been concerned with this, of course, in my prior positions in the Government.

I sat down last evening to see if I could list some of the kinds of actions which I would consider as legitimate savings which could be appropriately regarded as true savings, as against savings which might not be of that nature.

Chairman HUMPHREY. You may recall in my statement of Friday last, that I did indicate that there were honest differences as to what we call real savings.

MR. STAATS. That's correct.

Chairman HUMPHREY. And it was a term that was difficult to define.

We hope that we can make it more precise. And I would appreciate any comment you have.

Mr. STAATS. We would be happy to supply the material along this line.

And I bring this point up because I believe what we are partly interested in here is that for the future, for next year's budget and the budgets for future years, it is important to have the Congress advised as to what represents true savings.

And if some guidelines could be suggested, this could have a useful purpose for future years.

For example, I don't believe anyone could quarrel with the idea of including economies, demonstrated economy through management improvement.

I don't believe we could quarrel with the idea of including savings which arise through redirecting programs in such a way as to achieve the same or a better result at a lower cost, that is, finding a more cost effective approach to accomplish a given program objective. I don't believe we could quarrel either with including as savings the termination of a program which has been in effect, and where objective analyses have been developed to support a conclusion to terminate assuming these analyses are fully available to the Congress.

Where I have my difficulty are with the kinds of things that we have been talking about here this morning, where a reduction in the level of agency requests because of higher priorities wouldn't permit the inclusion of such requests within the budget total that the President could support.

We all know that agencies come in with more than they can reasonably assume that the President can include for that agency. This is the way it has always been, and will always be.

You can't avoid that. But it isn't proper to include any reduction, in my opinion, simply because it is a reduction in the agency request, as a true savings.

Similarly, the kind of action on receipts that I mentioned this morning where, through some action of the executive branch, they were able to increase receipts somehow, it seems to me properly that should be on the receipt side of the budget.

Where we are shifting costs from general revenues to trust funds or other publicly supported funds, such as I mentioned here this morning, I would not consider that a savings to the taxpayer. It may be a saving out of that particular fund, but it is not a saving to the Government.

The shifting to State and local financing of an acknowledged high priority or essential program such as mental health, for example, which is listed among the savings might not represent real savings at all.

You can consider that as a saving in the Federal budget, but when the Federal Government recognizes, as it has recognized in this statement, that that is an essential function then have we really saved any money?

Simple deferrals of capital budget items from 1 year to a later year is questionable. In those cases all we are saving is the interest on that capital investment.

And even then we have to take an offset on that interest savings against the fact that the capital improvement is going to be completed at a later point of time, and any benefits which would flow from that would be lost for that period of the deferral.

I could go ahead here and list a number of the considerations of this type. It occurred to me that perhaps some general guidelines of this type might be a useful product to point to in these hearings.

Chairman HUMPHREY. As a matter of fact, Mr. Staats, I was going to ask you, are there laws or guidelines establishing any standards for the preparation of the budget, such as the Budget and Accounting Act, that you could bring to our attention so that we could insist that the executive branch adhere to them?

You have given us some of your suggestions now as to how you view what are savings and what are not really savings.

You can recall, and you did recall, in your testimony the social service item in which a figure was being bandied about in the Government of over \$4 billion, but the Congress set the figure at \$2 and a half billion as a ceiling, and in this budget there is an alleged saving of a couple of billion dollars on social services, even though the Congress had no intention of granting that fund at all.

Mr. STAATS. It not only took our savings for 1974 but even increased that for 1975 on the presumption that it would grow in 1975 over 1974.

But that is the kind of problem you get into.

I recall a humorous story, Mr. Chairman.

Several years ago, when Secretary McNamara used to be taking a good deal of friendly kidding about some of the savings in the Pentagon. The story goes that he was talking to his son. And he asked his son what he had done during the day. And his son said, "I have saved 30 cents because I walked home instead of taking the bus."

And he was admonished by his father, "Well, you could have saved \$2½ if you had walked home instead of taking a taxicab."

This is the kind of a problem that you get into unless you have some guidelines as to what is considered a true saving and what is not.

Chairman HUMPHREY. I have indicated earlier, Mr. Staats, that there will be a letter in your office which we have written, asking you to look into the facts surrounding the preparation and the use of the administration's 145-page public relations kit on the budget battle.

In that letter, for example, I said I would first like the General Accounting Office to obtain a complete copy of the administration's 145-page public relations kit entitled "The Battle of the Budget, 1973."

I would then ask you to determine who supervised the preparation of this document, what executive offices assisted in its preparation, and how many copies have been produced.

I would also like to know who has received copies and what instructions were given on how to use the material.

And finally, I would like to know the total cost of producing the material, and the Government funding sources.

I gather that you have also had a request of similar nature from other Senators.

And I am sure that you will be responding to that request.

Mr. STAATS. We have, Senator. And we began looking into it when the matter first appeared in the press.

And then subsequently we did receive inquiries about the matter from other Senators.

So our staff work is proceeding on this. I have not yet seen the material which you referred to here this morning. But we are in the process of getting a copy of that, and we will be happy to respond to your request.

Chairman HUMPHREY. I think you would be interested in knowing that there is considerably more alleged information, or whatever you wish to call it, in this kit that we have finally been able to get our hands on, than was submitted to us by the Office of Management and Budget as the material on which they base program terminations or reductions.

Mr. Caspar Weinberger, writing in the New York Times of March 27, 1973, in an article entitled "Congress as the Crisis," had this to say :

President Nixon's second step was to order the most exhaustive evaluation of Federal programs ever undertaken. Those in the Office of Management and Budget who conducted the evaluation used only one criteria: Does the program work?

Of the more than 1,000 Federal grant programs reviewed, 115 were found to be riddled with waste and inefficiency.

There is no money for such programs in President Nixon's 1974 budget.

Now, at the time we had Mr. Ash before us in the full committee of the Joint Economic Committee, I requested the Director of OMB to give us the evaluations and the analysis upon which these program terminations or budget reductions were based.

I also put the question to the Director of the Office of Management and Budget, and asked for a prompt delivery of the data upon which budget judgments were made.

And as I have indicated, we have no information either at the level of the agency budget request.

And I fully agree with you that agency requests are generally more than the OMB or the President finally is willing to agree to.

But we have had none of the agency material.

And, second, the material that we have received from OMB, to put it quite honestly, would not make good data for a sophomore debating team. And that is giving the sophomore team a little more material than they really ought to have.

So we will appreciate any evaluation that you can make.

Another question, Mr. Staats: You did see the evaluations that were made available from OMB. We did present that material to you?

Mr. STAATS. Yes.

Chairman HUMPHREY. In your overall observation, your overall view of those evaluations, how do you rate them in terms of their explicitness, their detail data, the depth of investigation, and analysis?

Mr. STAATS. I think, from just the material that is available to us and to you, I frankly would have to say it leaves more questions than it answers, in terms of the analysis of the costs and the benefits of what is involved as far as any program analysis being back of the decision.

I am not suggesting, and I don't believe you are suggesting, that that is not available somewhere. It may well be. But at this point in time at least, it hasn't been made available.

And I would think that if it is available in the executive branch, it would be in the executive branch's interest to provide it.

Chairman HUMPHREY. Yes. One of the things that we have found here that has been rather disconcerting is that when the House Banking Committee, I believe, as well as the Senate Banking and Currency Committee, had asked for the program evaluations on housing, studies that would have indicated some support for the moratorium on sections 235 and 236 programs, and reductions in other housing programs, the OMB told the Senate Banking Committee staff and committee that the material that related to the housing programs had been given to the Joint Economic Committee, and that they should get it from us.

We have looked that over—and by the way, the HUD agency, the Department of Housing and Urban Development, confirmed that statement—we looked that material over, and it is the judgment of our staff and of those in this committee that have had particular interest in the housing area, and specialized in it, that the data is anything but convincing, and thoroughly inadequate in terms of its authenticity, its in-depth analysis.

So we are getting that kind of a deal.

Mr. STAATS. Mr. Chairman, we have done a good deal of work in the GAO as to the operation of the sections 235 and 236 programs. And what may have been in the mind of whoever made the statement was that the Joint Economic Committee held hearings at which we presented our studies involving sections 235 and 236.

Now, we have subsequently within the last 2 weeks, also appeared before the Banking and Currency Committee to give them the same analysis.

And one of the reasons that the Senate Banking and Currency Committee wanted to have this hearing was the concern over some statement which had been made in the executive branch that the GAO had indicated that these programs were failures, and in effect should not be continued.

Anyone who had carefully read our testimony and our reports would see that that would not be the thrust of our report.

Our report was concerned as to the administration and the management and the monitoring of those programs by HUD. And we developed a number of suggestions.

Now, sir, we were critical, but we also had a number of suggestions as to ways we thought those programs should be improved in their management to make them more effective.

But you will not find anything in our statement which indicates our belief that the programs as such were failures and should be discontinued.

Chairman HUMPHREY. The Congress in the Legislative Reorganization Act of 1970, Mr. Staats, asked for certain things to be done. I am sure you recall. We have gone over this, I think, on other occasions.

And with respect to the Congress getting adequate information in the budget, I would like your report on how we are coming in the implementation of the Legislative Reorganization Act.

In your second annual report on the matter, you said that the Office of Management and Budget was not intending to devote the necessary manpower to implement the requirement of this act.

Would you care to elaborate on that matter?

Mr. STAATS. I would be happy to add this.

We believe that unless the Treasury and the OMB put more resources behind this effort to give higher priority to it, it is not likely to be very productive.

I say that irrespective of what resources we apply. It is basically a program that has to be developed in the executive branch, with our cooperation, to be sure, so that we reflect and incorporate congressional interest wherever that can be possibly done.

But most of the information that is contemplated in the Legislative Reorganization Act is information that flows out of day-to-day operations, and out of budget executions, and expenditures.

These are all matters which primarily are in the hands of the executive branch.

So I have spoken to Mr. Ash about our concern. And we have spoken also to the Treasury Department about it.

And we have informal assurances from both that they will give a high priority to this area.

But I am not able to report any concrete actions as of today.

Chairman HUMPHREY. Mr. Staats, that act was supposed to have been implemented in 1970, 1971, and 1972, 2 or 3 years having gone by.

I know you have been trying to get it implemented. Part of that act requires the utilization of computer services, trying to bring together OMB, Treasury, and the GAO.

And I know that you have pressed for it. Have you received any commitment at all that they are going to proceed and get the job done?

Thirty-nine Senators met about 2 weeks ago and directed letters to the parties involved, asking that a report be given to us, and that some action take place.

Have you had any commitment from Mr. Ash or Mr. Shultz?

Mr. STAATS. No, I have not as yet had any commitment. I believe Mr. Ash has been undertaking some changes in the organization and staffing of the OMB. And this may well account for it.

I do not intend to let the matter rest, Mr. Chairman. I plan to take whatever further action I can.

And I appreciate your bringing the matter up here today.

We think it is a very important area.

But I don't believe that there is any solution, full solution, except to have the executive branch assign a high priority to this matter.

Chairman HUMPHREY. We are going to press for that.

And I think you will be interested to know that 39 Senators did join together, and we could have many more, but just that many met at lunch together over this whole problem of information retrieval of data and improving our exchange of data between the legislative and executive branches.

I want to thank you very much, Mr. Staats, once again, for your very helpful testimony, and for your analysis of our staff study.

And we will look forward to working with you and your associates on further matters.

Mr. STAATS. Thank you very much.

Chairman HUMPHREY. We have a rare privilege here this morning to have with us one of the most innovative and creative individuals that ever served in the Government of the United States, a man to whom we are all indebted for much of what we call our social service

and social security programs, as well as many other programs of public benefit and interest.

And I welcome Wilbur Cohen, the dean of the School of Education of the University of Michigan.

There is only one way that he could improve his status, and that would be to be from the University of Minnesota. But everybody can't have everything as they want it.

Mr. COHEN, we have your statement, and I am sure that you would like to proceed.

Is Mr. THUROW going to appear with you at the same time?

Do you have a separate statement, Mr. THUROW?

Mr. THUROW. I will have to make a separate verbal statement.

Chairman HUMPHREY. Fine. We will first hear from Mr. Cohen, and then if you don't mind, after that we will hear from you.

**STATEMENT OF WILBUR J. COHEN, DEAN, SCHOOL OF EDUCATION,
UNIVERSITY OF MICHIGAN, AND FORMER SECRETARY OF
HEALTH, EDUCATION, AND WELFARE**

Mr. COHEN. Thank you, Mr. Chairman.

I would suggest that my prepared statement be put in the record. And then I will just summarize it.

Chairman HUMPHREY. Very good.

We will include it in the record.

And I see that it addresses itself to not only matters of real versus imaginary savings, but also to particular programs.

Mr. COHEN. Yes.

Chairman HUMPHREY. And we would appreciate your commentary.

The text of the prepared statement will be included in the record.

Mr. COHEN. I will then just read appropriate parts of the prepared statement and comment verbally.

Chairman HUMPHREY. Thank you.

Mr. COHEN. I have reviewed the 24 proposed program reductions and terminations for the Department of HEW listed on pages 51-53 of the budget for fiscal year 1974 and the formal justifications for each one which were submitted to this committee, of which copies were given to me.

I completely agree with the observation in the staff study that the information provided to the committee as formal justification for the budget cuts is inadequate and that Congress cannot rely on it in determining program changes or setting national priorities.

I believe the Legislative and Appropriations Committees which have jurisdiction over the individual items would need substantial additional information before making a final conclusion on any of the proposals.

As a matter of fact, Mr. Chairman, I myself, even though I have very intimate knowledge of them from my previous service in the Department, wouldn't make a final conclusion until I have substantially more information.

I just don't think that on a number of the very, very delicate controversial and substantive points there is enough information and I want to add that there are some changes in here which have consider-

able merit, and which I even believe that I could support in part or in whole, but—

Chairman HUMPHREY. By the way, I for one do not disagree with that at all.

As a matter of fact, I do not want to see any of us get locked in the position of saying that just because we have it, that is the way it has to be.

My judgment has been that if you recommend changes, you should have reasons for it, to which you are now addressing your commentary.

Mr. COHEN. Yes. And I believe that there are several in there in which the Congress during hearings and working together in a bipartisan way, could work out certain changes or reallocations which would improve the programs.

But the justifications themselves fail to present any hard data or evaluation of the impact of the proposed changes which I believe would be necessary to do so.

In all my 38 years of budget watching, I have never seen such a poor set of budget justifications sent to the Congress.

Now, Mr. Chairman, I will now pick up and talk about some of the individual items to give some idea of the problems that are involved.

A number of the proposed budget terminations would adversely affect the aged and the poor. The proposed cutbacks in medicare have been widely discussed and I sense a broad-based opposition to their adoption.

I wholeheartedly concur in the opposition to the medicare proposals, which I cannot even believe that the administration seriously intended, but put in for cosmetic purposes simply because they knew it would take congressional action to do it, but there was very little likelihood that it would occur.

Chairman HUMPHREY. That is the point that Mr. Staats was making, that so much of these so-called savings do require legislative action, and they are made operative as of July 1, presupposing that the action would come by then.

And on the one on medicare, Mr. Cohen, I don't want to encourage you to enter into betting, casting your money around on the possibilities of losers or winners. But if you want to make a bet, the one that you ought to make is that the Congress is not going to saddle on the old people another \$1 billion or more of additional cost for medicare.

Mr. COHEN. From my own knowledge of the Congress on this issue over some years, I would say that the possibility of this happening is as close to zero as one can possibly get.

There are other proposals, however, which I believe should be vigorously proposed. And I want to take up a few of those.

The first is the recommendation on eliminating dental care to adults in medicaid.

I find it difficult to restrain my comments regarding the proposal to eliminate Federal financing of dental care to adults under medicaid (\$75 million in 1974 and \$100 million in 1975).

I think it might be best at this point, Mr. Chairman, to put in the record the actual one-page statement submitted to you by the administration, because it is in my opinion a model of erroneous implications and information and false social policy.

[The statement follows:]

2. "ELIMINATE FEDERAL FINANCING FOR LOW-PRIORITY MEDICAID SERVICES TO ADULTS"

BACKGROUND

Lack of dental care is seldom life threatening and is less critical for adults than for children.

Dental care is seldom covered in private health insurance plans and is not covered under Medicare.

ACTION

Legislation is proposed to terminate Federal matching of State funds for dental services provided to adults.

Federal matching for children's preventive dental care—the most important area of dental care—will be continued for Medicaid eligible children up to age 21.

States, at their discretion, may continue to finance dental care services for adults. The 35 States which now offer dental care are generally the States with higher per capita incomes.

Chairman HUMPHREY. If I had a student that had written me a justification on an issue along the lines of the one that you have in hand, I would not only have flunked him; I would have sent him to a counselor because he was undoubtedly really out of focus.

Isn't that the justification that said that the lack of dental care didn't threaten your life, or something to that effect?

Mr. COHEN. That's correct, and as I said in my prepared statement:

The statement submitted to the committee states that lack of dental care "is seldom life threatening." This statement overlooks the pain and suffering which dental problems cause. * * *

If this argument were to be valid, much of medicare and medicaid could be repealed and they could have had an even larger savings if that is what they wanted.

Chairman HUMPHREY. It also shows a gross ignorance about disease, because dental infection is one of the contributory factors to what we call rheumatic fever and heart trouble.

Mr. COHEN. I also think it is a callous and heartless approach to utilize as a criterion that medical service must be life threatening before the Federal Government will help finance aid to its citizens in need.

Now, it should be kept in mind when we are dealing with this program, the medicaid program, that it only deals with persons determined by the States to be needy, so there is an automatic test of need here.

And finally, in what in my opinion is an insulting way to describe this, they say that States at their discretion may continue to finance dental care service to adults.

Well, of course, States may continue to do a lot of things, but the fact of the matter is, why these programs were enacted by Congress is that States were not doing them and were not financially able to do them, and did not take the leadership to do them.

And that is why the Congress passed Federal aid for medicaid after a long series of trial and effort over the Kerr-Mills bill and over the problems of medicare and many other things.

So that it seems to me that this particular proposal was not only ill-conceived, but is erroneously justified.

Now, they have one other argument in here. They said, dental care is seldom covered in private health insurance plans and is not covered under medicare.

I read this to imply that since it is not under medicare and not under private health insurance, it should not be under medicaid.

Well, the argument is just the other way around, if it isn't covered by private insurance, if it isn't covered for medicare, then it ought to be covered under medicaid, for people's incomes do not make it possible for them to purchase it.

So I think this particular argument on this one, if anything, is the most convincing argument for an absolutely opposite conclusion.

I would concur in your statement that if any one of my students in one of my classes presented this as a justification, I would certainly flunk him.

Chairman HUMPHREY. I would also refer him to some kind of specialist for an in-depth analysis.

Mr. COHEN. Let me continue, Mr. Chairman, with the observation that while many of the changes proposed by the Nixon administration have been correctly criticized as adversely affecting the poor, the aged and the minority groups, many of the proposed changes would also adversely affect middle-income families who live in the cities, suburbs and rural areas.

And I want to take a couple of examples, because I think this area is completely overlooked.

Most people are arguing, well, the Nixon administration is cutting out certain services and programs for the poor, the unemployed and the minorities.

And while that is true, I think the middle-income and middle-class people do not realize how seriously many of these changes may affect them.

Let me briefly take up the proposal to eliminate the public libraries and school library resources item, estimated at \$49 million savings in 1974, and \$135 million in 1975.

These cuts in my opinion, would impair our future scientific technological and intellectual competence. And I have a long discussion in here, and I am only going to pick out three things that are not brought out in any of their statements.

There are still over 30 percent of the Nation's elementary schools in this country which do not have libraries. Here are little children growing up to be our future citizens, hopefully our future Senators and Congressmen and governors and possible a President, in schools—elementary schools in which there is not yet a library.

Now, I consider that one of the unmet needs that should be fulfilled.

Congress in this legislation—with which I am proud to say I had something to do with—enacted legislation to say that every elementary school in this country ought to have a library; that is a national commitment, and we are going to give Federal funds to help achieve that.

Now this legislation says we are going back on that commitment. And I think that is a very, very unfortunate one.

To continue on that point, the Office of Education recently had a study recommending that the money for these services which are now about 8 percent should be increased to at least 16 percent, and if possible, 25 percent.

So the Offices of Management and Budget and the President went against the recommendation completely of their own professional people in the educational field about this need.

Now, I am not saying that automatically the Office of Education's conclusion was correct. But you find no indication in any of these here that there is a substantial difference of opinion between the professionals in these fields and the political officers.

I also want to point out that the elimination of funds authorized by this act comes at a time when the inflationary spiral for the price of books and journals is much greater, and the price increase in other consumer goods has robbed libraries of 25 to 40 percent of their purchasing power in the last 3 or 4 years, and when the financial condition of almost all colleges and universities is such that there is no local resources for the implementation of library requirements.

I can tell you, I am on the library committee of the University of Michigan. Our libraries in the University are deteriorating at the present time under the combined effects of inflation and the lack of adequate resources in the university and the termination of Federal funds.

Now, in the long run this is a very serious disaster for the intellectual, scientific and technological, and economic development.

And particularly, I want to express this to the Joint Economic Committee, because that is a way that we can become a second-class Nation, by failing to have the adequate library resources from the elementary grades right up to the university.

And I think this is an area that ought to be looked into very seriously.

Now, I would like to go on to a second area, foreign language and area training centers, which I think is rather interesting, because the termination of that program in my opinion is clearly inconsistent with President Nixon's own objectives.

And I cannot believe that he was even apprised at the time it was up that there was inconsistency.

The termination of the foreign language and area training centers—\$13 million in 1974 and \$14 million in 1975—is clearly contradictory with the efforts of the President to improve relations with China, Russia, and other countries.

At the very moment when we need more persons who can speak the language of these countries and understand their culture and political systems, the Budget proposes to eliminate this excellent and necessary program.

And, incidentally, in one or more of the different kinds of justifications of the argument is made that we now have an adequate supply of these kinds of foreign specialists.

From my consultation with the specialists that I have had, that is deemed to be a slightly erroneous statement in the observation.

I dare say that we do have enough specialists in the various dialects of China. I don't think we have them in many of the other dialects of the African countries, and so on.

And I believe this is an area that the committee might well investigate, because I think this argument is based on completely erroneous observation of the facts of the case.

And it seems to me here that with the President is trying to be developed a rapprochement and relationship, to terminate this small but very important program where the U.S. people would be able to speak these languages and know the culture of these other countries, is absolutely going in the wrong direction.

Now, let me take another illustration, grants to State departments of education.

This was a program with which I had something to do in its formulation in an attempt to do exactly what President Nixon is now saying, to strengthen the State agencies to take a larger role of leadership in improving curriculum and programs from kindergarten to grade 12 in the educational program.

And the Nixon administration in its purported new Federalism, is recommending that.

Yet at the same time, the budget proposes to eliminate the funds which have been appropriated in recent years to strengthen State departments of education, to handle their increased loads, 36 million 1974, and 13 million in 1975. In my opinion, if I were to go on at length, the recent Supreme Court decision which places responsibility on the States to remedy the inequities in the financing of elementary and secondary education with regard to the property tax would indicate a need to further strengthen the capacities of State departments of education.

In other words, I would argue, this is the very point where President Nixon ought to have said, I am willing to double or treble the amount to the State departments of education so that they would take on the responsibility of making a change in the financing of the property tax at the State level so that education would have more State and local money.

But the budget goes exactly, I think, in a reverse manner than what is not only socially needed, but what is related to the President's own political philosophy.

Now, on grants to schools of public health. I feel particularly strongly about the proposal to stop funding students and faculty in the Schools of Public Health. The Nixon administration on the one hand supports a proposal for national health expansion and at the same time cuts out the financing of staff to make such a policy effective. Without competent trained public health personnel, the efforts to improve the health delivery system will be more difficult.

These grants in 1972 totaled about \$18.5 million, and about \$15 million in 1973.

And if I were discussing the matter with the President or his advisers, I would say this:

Any national health insurance program, no matter which one is adopted by Congress, is going to be ultimately successful in an administrative way only if we have more trained public health manpower to staff such a momentous program.

And the experience with medicare and medicaid I think is convincing. And yet at the very time that we have an opportunity to do this in the next 3 years, to prepare for whatever plan is being developed, these grants are terminated, which is going to make implementation of national health insurance even more difficult.

So I think it is not only inconsistent with President Nixon's own objectives; it is inconsistent with what everyone in Congress is saying, that sooner or later, we have to develop such a program.

Now on the Federal financing for local mental health programs, which I am sure you are aware of, Mr. Chairman, I strongly urge retention of this successful and essential program. A detailed statement by the deans of the schools of public health to the House Committee on Interstate and Foreign Commerce amply justifies retention of this program.

The Nixon administration proposes to not extend the authorization for new grants for community mental health centers.

In part, this is based upon their expectation that "Essential mental health benefits will be included in the administration's national health insurance proposal."

But the administration's national health insurance proposal as of this morning has not yet even been submitted to the Congress.

In fact, we don't know whether it will have or won't have mental health services included.

I would hope it would, but I understand the difficulties that are involved.

In any case, even if it is in, it would be several years before any new health insurance legislation would become effective.

You would need a period of phasing it.

So I believe that on the merits the legislation should be continued until the Congress has the full opportunity to examine interrelationships between this very, very successful program and the various pieces of legislation.

Now, we come to an area which is somewhat more difficult and that is the proposal to terminate the Hill-Burton medical facilities program.

And I think here is a case of failure to make the treatment correspond with the proper diagnoses.

While it is true that in many areas there is now sufficient hospital beds, it is also true that the need for modernization of facilities is very great in some communities. Moreover, outpatient facilities should be encouraged and supported, which the administration concurs in.

Skilled nursing homes should be linked up with hospitals and intermediate care facilities along the lines of the new regulations that the administration itself has been supporting, which is going to take more money on the part of the States and localities.

Moreover, the Hill-Burton planning functions should be retained and supported as part of assuring the most effective use of capital resources for facilities and equipment in a national health insurance program.

And here is an area where I say, well, I believe they have got a good deal of merit in this particular argument, one would have to have a substantial reexamination and careful study of the whole program before repealing it.

And it might be more desirable to have a modification of the legislation, and perhaps even some reduction in the total authorization.

But looking at it afresh and anew, in the light of the national need for the next 5 or 10 years, I don't think that that was done.

Chairman HUMPHREY. We also have the fact, Mr. Cohen, that count is half no hospitals. And in many of these rural areas, despite all the many efforts that have been made under Hill-Burton, the hospital facilities are either old or inadequate in quality or in numbers of beds.

I know that theoretically, it always sounds good to say, you can always get the sick into a major center. But that just isn't the case.

We have got a little hospital out there in Buffalo, Minn., that is only a 50-bed hospital. I suppose from the point of view of the most efficient administration, it's not the size that lends itself to economy and to the best administrative practice. But that is not our interest.

Our interest is getting somebody to a hospital when they are injured or when they are sick. And this may only be for a short period of time. But we have got to have a place out there.

Mr. COHEN. If I were testifying substantively on this issue, either before the House or Senate Committee, in relation to that point, I would say this: We ought to develop a whole new program of linking up these small hospitals in the smaller towns and rural areas with regional hospitals and hospitals of the medical schools through a television type of program and computers, both of which would require a lot of facility money, so that when the person was brought in, let us say, in this little hospital, the electrocardiogram could be read over the television circuit at the University of Minnesota Medical School by the leading expert in that field, and therefore, a person who could not be moved would not need to be, unless it was later determined that he should be.

I would link up helicopter service, for instance, helicopter service has been proved to be a very efficient way—you don't have to move everybody, but in emergency cases.

I am convinced that we could save hundreds and thousands of lives in automobile accidents on the highways and so on, by a national link up emergency service which uses the television and the computer.

And I think that is the kind of reconsideration of national priority that we should find.

As you said before, when you said this was the most exhaustive evaluation ever made of any budget, I fail to see how these can be considered really substantial substantive changes that could accomplish the purpose that you want in providing better medical care.

Finally, Mr. Chairman, I have three suggestions which come out of my reading of this that I want to make.

One is, I think we need a much more exhaustive examination of the impact of all of these changes upon the States, upon the universities, and upon general revenue sharing.

I come out of this examination of these various items with a feeling that there has not been really a substantial and substantive examination of these three areas.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Cohen follows:]

PREPARED STATEMENT OF WILBUR J. COHEN

MAJOR PROGRAM REDUCTIONS AND TERMINATIONS PROPOSED BY THE NIXON
1974 BUDGET IN THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

I first appeared before the House Appropriations Committee on a budget request in 1935 for the Social Security Board. We didn't get the appropriation because Senator Huey Long filibustered and the Congress adjourned before enacting the appropriation.

Mr. Chairman, I have concluded that some new and better method is needed to prevent the President's Budget for 1974 being enacted as proposed. I hope these and similar hearings will produce the necessary information to achieve this result.

REAL VERSUS IMAGINARY BUDGET SAVINGS

I have reviewed the 24 proposed program reductions and terminations for the Department of H.E.W. listed on pages 51-53 of *The Budget for Fiscal Year 1974* and the formal justifications for each one which were submitted to this Committee. The total for these 24 proposals is about \$6 billion for 1974 and \$9 billion for 1975.

I completely agree with the observation in the staff study that the information provided to the Committee as formal justification for the Budget cuts is inadequate and that Congress cannot rely on it in determining program changes or setting national priorities.

I believe the legislative and appropriation Committees which have jurisdiction over the individual items would need substantial additional information before making a final conclusion on any of the proposals.

Even when the proposed change has considerable merit, the justification fails to present any hard data or any evaluation of the impact of the proposed change.

In all my 38 years of Budget-watching I have never seen such a poor set of Budget Justifications sent to the Congress. I can only guess that any fuller justifications were lost on the way to the Watergate.

I cannot conceive of the present Congress adopting the increased deductibles and co-insurance in Medicare. This would reduce the above totals by \$516 million in 1974 and \$1,200 million in 1975.¹

The alleged savings of \$2.7 billion in 1974 and \$4.7 billion in 1975 by virtue of the Congressional passage of the statutory ceiling on social services last year is taking credit for past legislative action and should not properly be included in any Budget totals.

Excluding these two large items, the total savings of all 22 other items are \$3.7 billion for 1974 and \$3 billion for 1975.

Two of these amendments² (in part) would result in some increases in the costs of hospital services under Medicare. Hence, there would be no real net savings from these actions but a shift from general revenue financing to payroll tax financing. Since the estimated savings for these two proposals are embodied in other proposals, it was not possible for me to make a precise estimate of their impact, but they probably would involve about \$250 million in 1974 and \$500 million in 1975.

Another proposal³ is simply a short-time reduction in social security disbursements which would be offset by future increases, and, moreover, would not be reflected in any general revenue savings.

In effect, therefore, part of the alleged savings are cosmetic, and part are misleading insofar as general revenues are concerned.

In addition, it is highly probable that the estimate of \$592 million savings for eliminating overpayments and ineligible recipients from welfare is overstated. Only a very careful study of the recently issued revised regulations would throw light on this. I suggest an intensive study by the GAO to produce an evaluation of this policy and its probable cost effects.

¹ An additional point worth considering (which is not included in the justification submitted) is that the additional amount to be paid by the aged and their families would increase in future years. The total would be \$1,516 million in 1976, \$1,655 million in 1977, and \$1,797 million in 1978. In effect, some of these savings should show up in reduced future payroll taxes, but the Administration's statement does not even recognize this fact.

² These are: Eliminate Unnecessary Advance Payments for Hospitals (\$277 million and \$431 million) and Rely on Federal Health Financing Mechanisms to Pay Depreciation Charges (\$189 million and \$206 million).

³ Eliminate certain optional payment procedures under OASDI (\$310 million in 1974 and \$310 million in 1975).

Overall, therefore, the maximum possible savings for 1974 if all the remaining proposals were adopted would probably be in the neighborhood of about \$3 billion for 1974, and about \$2.5 billion for 1975.

COMMENTS AND INDIVIDUAL PROPOSALS

A number of the proposed Budget terminations would adversely affect the aged and the poor. The proposed cut-backs in Medicare have been widely discussed and I sense a broad-based opposition to their adoption.

I wholeheartedly concur in the opposition to the Medicare proposals. There are, however, other proposals which should be vigorously opposed.

FEDERAL FINANCING TO ELIMINATE DENTAL CARE TO ADULTS IN MEDICAID

I find it difficult to restrain my comments regarding the proposal to eliminate federal financing of dental care to adults under Medicaid (\$75 million in 1974 and \$100 million in 1975).

The statement submitted to the Committee states that lack of dental care "is seldom life threatening." This statement overlooks the pain and suffering which dental problems cause. On the basis of this argument much of Medicaid and Medicare could be terminated.

It is a callous and heartless approach to utilize the criterion that the service must be life threatening before the federal government will help finance aid to its citizens in need. It should be kept in mind that the Medicaid program only deals with persons determined by the states to be needy.

SOME PROPOSALS WILL ADVERSELY AFFECT MIDDLE-INCOME FAMILIES

Many of the changes proposed by the Nixon Administration have been correctly criticized as adversely affecting the poor, the aged, and minority groups. But the proposed changes also would adversely affect middle-income families which live in the cities, suburbs and rural areas.

Let me utilize as one example of this the proposed reductions by the Nixon Administration in "public libraries and school library resources" estimated at \$49 million in 1974 and \$135 million in 1975. These cuts could impair our future scientific, technological, and intellectual competence.

LIBRARY FUNDS

All federal support for the nation's libraries would be abruptly terminated on July 1, 1973 according to the 1974 budget which recommends zero-funding for the library programs authorized under the Library Services and Construction Act (LISCA), Title II of the Elementary and Secondary Education Act, and Title II of the Higher Education Act (HEA).

PUBLIC LIBRARIES—LSCA

Federal support for public libraries began in 1957 with a \$2,000,000 appropriation under the Library Services Act. Over the years, this federal support has been modest, only a few cents per capita per year. Its primary role has been to stimulate increased state and local support for library services to all Americans. It has enabled public libraries to develop new patterns of service to meet the special needs of disadvantaged Americans, and it has enabled libraries to pool their resources in various cooperative ways to make their services available to more people. It has also enabled many communities to build libraries where none before existed.

The availability of general revenue-sharing funds, according to the Administration, eliminates the necessity of continuing the Library Services and Construction Act (although it is authorized through FY 1976). States and localities, this line of reasoning holds, will be able to continue the most promising projects and programs formerly supported by federal categorical assistance. Data are not available to support this conclusion.

The outreach library services—those more expensive than traditional library services, to such groups as the homebound, the handicapped, the institutionalized, the aging, would suffer the most serious curtailment if the federal matching funds under LSCA are withdrawn. Inter-library cooperation, too, would suffer a setback for general revenue-sharing forces each local library to fight for local

funds, for local projects. LSCA, on the contrary, urges interlibrary cooperation and coordinative use of all types of libraries within each state and sometimes even across state lines.

SCHOOL LIBRARIES—ESEA TITLE II

Federal support for school libraries has enabled thousands of schools to have a centralized school library for the first time; but still, today, over 30 percent of the nation's elementary schools do not have libraries.

Today many new materials are coming on the market and many new subject areas are being studied in schools; no longer are the nation's school children forced to do their learning from a single textbook. Career education, vocational education, and environmental and ecological education are becoming commonplace in school curricula. To cut off federal support for school library resources just as these materials are becoming available would cause many school libraries, both elementary and secondary, both public and private, to cut back or eliminate altogether their acquisition of new resources. Our school children would be the losers if such cutbacks were allowed to become a reality.

The U.S. Office of Education, itself, in a study entitled *An Evaluation Survey Report on ESEA Title II* recommended that funding of ESEA Title II be increased to the level of authorization. Title II has contributed about eight percent of the annual cost of instructional materials and this should be increased to at least 16 percent, and if possible, to 25 percent. So stated the USOE report. Those most familiar with the program state that substantially increased appropriations are needed in light of rising costs on the one hand, and of growing demands on the part of pupils and teachers alike for a wide range of library resources to meet each individual learner's special needs. The school library plays a central role in the educational process and its services are essential to the national effort to provide educational opportunities to all the nation's school children.

COLLEGE AND UNIVERSITY LIBRARIES, AND TRAINING IN LIBRARIANSHIP—HEA TITLE II

Title I, Part A of this Act has served since its passage to help junior college, four-year college and university libraries meet the overwhelming need for books and journals that has been a consequence of the sharply increased student enrollment of the 1960's. It has been a godsend especially to the new junior and community colleges that have been faced with the necessity of starting libraries from scratch. Furthermore, it has been most helpful even to the large university libraries whose own resources have been insufficient to let them keep up with the increased rate of research publication in almost every subject field. Title II of the Act was so worded as to provide small basic grants to libraries, supplemental sums based on size of enrollment (provided evidence was adduced to indicate that lack of adequate library resources was hindering library development), and special grants to institutions which were intent on meeting special national or regional library needs or which had programs to stimulate the joint use of library facilities. As a consequence of the latter provision a great many progressive cooperative enterprises were begun in which libraries shared resources and jointly offered new or improved library services.

The elimination of funds authorized by this Act will come at a time when the inflationary spiral in the price of books and journals, much greater than the price increase in other consumer goods, has robbed libraries of 25 to 40 percent of their purchasing power in the past three or four years and when the financial plight of almost all colleges and universities is such that there are no local resources for the implementation of cooperative library network arrangements. After enjoying a brief period of assistance in their effort to meet overwhelming needs for library materials and to develop modern systems to make library resources and services more widely available, the academic libraries of this country will find themselves facing greater difficulties than they have encountered for decades.

Part B of Title II of this Act authorized funds for grants for training in librarianship and for research and demonstrations relating to libraries and the training of library personnel. Since the passage of the Act, training grants authorized have supported many persons who have gone on to become teachers of library and information science and alleviate a critical shortage of such personnel. More recently the training grants have been used increasingly to train as professional librarians highly qualified students who would have no

opportunity to enter the profession without such assistance. This has been an especially helpful program in recruiting people from the minority and underprivileged groups for a profession which is very poorly endowed for such financial aid to students.

The funds available under this Act for research and demonstration continue to be extremely necessary since librarianship/information science is a discipline which has not benefited hitherto from extensive research undertakings as have the natural or applied or social sciences. Librarianship is at the heart of our efforts to understand ourselves and the world we live in. The basic task of librarianship/information science is to organize information for use. Without librarianship there would be no access to accumulated knowledge, no means of retrieving information, developed in the past, on which to build for the future. Funds for library research and demonstration authorized by this Act should not be eliminated if we are to extract maximum benefit from all research undertakings in all fields of knowledge.

FOREIGN LANGUAGE AND AREA TRAINING CENTERS

Several of the proposals submitted by the Administration are clearly inconsistent with their own objectives.

The termination of the foreign language and area training centers (\$13 million in 1974 and \$14 million in 1975) is clearly contradictory with the efforts of the President to improve relations with China, Russia, and other countries.

At the very moment when we need more persons who can speak the languages of these countries and understand their culture and political systems, the Budget proposes to eliminate this excellent and necessary program.

Our government, the Departments of State, the foreign service, the Defense Department and the Department of Commerce initially depends for an effective conduct of our foreign relations and foreign trade on well-trained area and language specialists. These specialists are trained by our universities with the financial assistance of the National Defense Education Act.

Title VI of this Act has in recent years provided federal funding for language and area training in such critical areas as China, Japan, Southeast Asia, the Near East and the Soviet Union. This \$15 million supports 1200 student fellowships and provides general support for language and area centers. About half of all fellowship support for foreign area and language training in the country comes from this source. In most cases, whether an area center can exist or not depends on the NDEA support which then has very large multiplier effects in mobilizing other sources of finance.

In this age of financial stringency for all universities there is no way in which they can fill the gap left by the withdrawal of federal funding. Moreover, the development of these skills for government service is a national, federal and not a state or private responsibility.

The disastrous effect of NDEA withdrawal is compounded if funds are going to be totally eliminated suddenly. As late as January 1973, that is when more than half of the current academic year was over, every indication was that for most programs, center and fellowship support would continue and that fellowship support would be available to all programs. Universities and students made their plans accordingly and in good faith. The sudden and unforeseen cutoff in funding will leave a large number of students stranded in midstream. Students who have started their training will not be able to continue so that a large government investment in their training heretofore will have been wasted. It would almost seem as if the government intended to deliberately harm the programs it had such a major role in fostering.

This program was enacted in 1958 to help remedy the serious national shortage of specialists in the non-Western world required to serve the growing needs of education, government, and business. It is the Administration's unsupported contention now that the institution can support such foreign language centers on their own. However, the financial pressure facing all colleges and universities today would not indicate such to be the case. And as international interdependence becomes increasingly necessary in the last years of the twentieth century, it seems inconceivable to even imagine that America's urgent need for highly trained specialists in foreign language and area studies has largely been met. We have, on the contrary, hardly begun. The United States must keep abreast of developments throughout the world.

GRANTS TO STATE DEPARTMENTS OF EDUCATION

The Nixon Administration urges that greater responsibility be given to the states in various areas. Yet the Budget proposes to eliminate the funds which have been appropriated in recent years to strengthen State Departments of Education to handle their increased load. (\$36 million in 1974 and \$13 million in 1975.)

The recent U.S. Supreme Court decision which places responsibility on the States to remedy the inequities in the financing of elementary and secondary education would indicate a need to further strengthen the capacities of State Departments of Education.

While the form of such federal aid may be in need of some revision, I cannot see how a good case can be made for a reduction of aid at this time. In fact, the evidence is all in the other direction. In this case, it would appear to be desirable for the Congress to postpone action on this item until it is examined in relation to the total education legislation.

GRANTS TO SCHOOLS OF PUBLIC HEALTH

I feel particularly strongly about the proposal to stop funding students and faculty in the Schools of Public Health. The Nixon Administration on the one hand supports a proposal for national health insurance expansion and at the same time cuts out the financing of staff to make such a policy effective. Without competent trained public health personnel, the efforts to improve the health delivery system will be more difficult.

These grants in 1972 totalled about \$18.5 million, and about \$15 million in 1973. I strongly urge retention of this successful and essential program. A detailed statement by the Deans of the Schools of Public Health to the House Committee on Interstate and Foreign Commerce amply justifies retention of this program.

FEDERAL FINANCING FOR LOCAL MENTAL HEALTH PROGRAMS

The Nixon Administration proposes to not extend the authorization for new grants for community mental health centers (\$63 million in 1974 and \$75 million in 1975).

In part, this is based upon their expectation that "Essential mental health benefits will be included in the Administration's national health insurance proposal."

The Administration's national health insurance proposal has not yet been submitted to the Congress. In any case, it will be several years before any new health insurance legislation becomes fully effective. The legislation should be continued until the Congress has a full opportunity to examine the inter-relations between both pieces of legislation.

HILL-BURTON MEDICAL FACILITIES PROGRAM

The proposal to terminate the Hill-Burton program is a case of failure to make the treatment correspond with a proper diagnosis. While it is true that in many areas there is now sufficient hospital beds, it is also true that the need for modernization of facilities is very great in some communities. Moreover, outpatient facilities should be encouraged and supported. Skilled nursing homes should be linked up with hospitals.

Moreover, the Hill-Burton planning functions should be retained and supported as part of assuring the most effective use of capital resources for facilities and equipment in a national health insurance program.

This whole area requires substantial reexamination and careful study by the appropriate legislative Committees.

REEXAMINATION OF GENERAL REVENUE SHARING

I also urge a reconsideration of the revenue sharing law passed last year. The President has used this legislation as an excuse to curtail existing programs which it was not intended to do. In my opinion much of the \$30 billion to be distributed under the revenue sharing law during its 5-year life will be utilized for relatively low-priority projects. I believe that at least \$10 billion of this program over the next four years should be reallocated to high priority programs by specific Congressional action. In any case, I recommend a comprehensive review by the legislation by the Joint Economic Committee, with the aid

of the General Accounting Office, of the law, and its benefit-cost effectiveness with a view to assuring that the available appropriations are utilized effectively.

I am particularly disturbed that the revenue sharing legislation acts as a disincentive for localities to reduce property taxes. I believe some way should be found to give localities an incentive to reduce property taxes. I urge the Joint Economic Committee to give this issue high priority in its future studies.

IMPACT ON STATES

The total impact of all of the Nixon Administration's Budget proposals on the states needs careful consideration. This issue transcends the consideration given by the various appropriation subcommittees which cannot see the total impact. I strongly recommend that the necessary staff be assigned to this endeavor.

An important development which has not yet been fully realized is that the Social Security amendments enacted last year which established the Supplemental Security Income program and amended Medicaid will place an increased financial cost on many states. These important amendments become effective January 1, 1974. The combined effect of these amendments and the Nixon Budget proposals may have a very adverse effect on many states. Since the Senate Committee on Finance has jurisdiction over both the revenue sharing and the social security legislation, I believe it is imperative that immediate consideration be given to some changes in the Supplemental Security Income provisions before January 1, 1974; otherwise, the states will be placed in a very difficult financial situation.

Finally, the President's proposals relating to terminations and reductions in Medicare and Medicaid should be postponed until the Senate Finance Committee has considered the various medical care proposals which members of the Senate have introduced or have indicated they will introduce in the near future.

Chairman HUMPHREY. Might I say at this point that I wish to place in the record the analysis that was given of the budget as it relates to the University of Minnesota and all of its respective departments.

I met with the president of the university at his request, along with the deans of all the different schools, and professional schools and many of the administrative officials. We have had a full analysis made at our university. Also we have had an analysis made by the State government of the impact of the budget upon the State of Minnesota, upon the State budget of the State of Minnesota, and upon budget estimates and revenue estimates of the State of Minnesota, and upon programs as funded by the State of Minnesota.

Our State fortunately is taking some leadership in this and has prepared it. And I have it in my office.

Senator Mondale and myself were both called in by the Governor and the president of the university and the chairman of our State college system to give us their indepth analysis of the relationship of the Federal budget in fiscal 1974 to the State budget and to the institutions of higher education.

So I will ask Mr. Healy of my staff to supply this matter now for the record. And we shall include it in the record at this point.
[The information referred to follows:]

TESTIMONY OF DR. MALCOLM MOOS, PRESIDENT OF UNIVERSITY OF MINNESOTA,
BEFORE HUMPHREY, MONDALE, FRASER BUDGET HEARINGS, MARCH 19, 1973

In the seven weeks that have elapsed since President Nixon released his budget proposals for Fiscal Year 1974, we have been trying to identify those changes which would affect the University of Minnesota, estimating the impact those changes could have on our students, faculty, and programs. This has been an arduous task, not only because the changes and the rationale behind them are difficult to understand, but also because the outlook becomes more discouraging with each new piece of information. [The new budget figures in many

programs are discouraging enough, but much more disheartening are the immediate implications for students and faculty who are dependent on federal support and the long-range implications for programs which have been cut back or eliminated at a time when they are still needed in this country.]

Over the past twenty years colleges and universities, the Congress, and four administrations have developed a State-Federal partnership which has produced rich dividends. Each partner has had its moments of recalcitrance, and the mutual benefits many programs have varied over the years, but in the main, this State-Federal relationship has been enormously important in making the progress we have witnessed in the past two decades. While it is obvious that higher education has not been effective in telling its part of the story, it is demoralizing to see programs that took years to build suddenly dismissed as "no longer necessary," "no longer successful," or to be shifted to state and local governments who have not been informed of their new responsibilities. One of the most disturbing aspects of the 1974 budget is the ease and certainty with which these assertions have been made—not by the agencies administering the programs, the universities conducting them, or the various clientele of these programs, and not by the Congress which supported them in the first place, but by the Office of Management and Budget. It becomes even more disturbing when we see the paucity of evidence offered by O.M.B. to support these pronouncements.

Turning to the specific impact of the 1974 budget proposals on the University of Minnesota, we are faced with the most severe cutback of federal support in the history of the institution—at a time when our abilities to absorb such a loss are weaker than ever before.

In 1971-72 the University received approximately \$51 million from federal sources—\$29 million in support of research, \$17 million for training, and \$6 million for the research, training, and extension activities under our Land-Grant programs. In addition, we have received over \$100 million in the last ten years in federal construction assistance, usually involving matching funds appropriated by the Minnesota Legislature.

If the administration budget stands as written, our reading of the budget documents and federal agency directives tells us that the University stands to lose \$11 million in program support. Moreover, since many of the programs proposed for cutbacks or outright elimination should have been expected to continue over several more years, this is not just a one-time loss. The total impact could well be much larger as these losses compound over the next few years. Our reading of the budget also suggests that little, if any, construction assistance can be expected, even when that construction would serve regional and national purposes rather than Minnesota needs. We are still hoping for federal assistance for part of the cost of our Health Sciences expansion program, but there is obviously no administration intent to support construction in other fields.

Certainly the most devastating impact will be felt in instructional programs, both in the specialized training grants that are used to provide nationally needed professional manpower and in the general student aid programs which, ironically, may be funded at higher levels than ever before.

The 1974 budget proposals call for massive, wholesale cutbacks in specialized manpower training programs, and these cutbacks are the most difficult to understand. In varying degrees, these cutbacks are spread throughout the disciplines without any distinguishable pattern and with precious little justification. When we find any commentary at all on these reductions, we find undocumented assertions that the manpower need has been met—when we know that it has not. Or we hear that the states can pick up these programs—when we know full well that our own state does not have the resources. In several cases we face cutbacks in programs that historically have served regional and national needs. There are only nineteen schools of public health and eighteen schools of veterinary medicine in this country. In both cases we are far from meeting total manpower needs, and surely the administration cannot expect those few states to provide the resources for meeting all the regional and national needs. But both of these schools are facing cutbacks that would decimate their faculties and remove financial aid to large proportions of their students.

In the time you have today, I cannot possibly list all the details of cutbacks faced by University units. I am submitting copies of written statements from several of our colleges and departments, and as we refine these estimates we will be forwarding additional materials to you, but I would like to catalog at least some of the problems we have identified to date.

In the College of Education, the Institute of Child Development faces a cutback of \$167,000 in its support from the Public Health Service, and the School Psy-

chology Training Program faces a reduction of \$101,000 in grants from the National Institute of Mental Health.

The Medical School has been informed that its Physicians Augmentation Program grant will be reduced by \$596,000, in spite of the fact that their expanded enrollment was predicated on what we thought to be a joint commitment between the state and federal governments.

Our programs under the NDEA Language and Area Studies legislation stand to lose \$185,000, and the budget suggests that states can pick up these programs. We are under the impression that Language and Area Studies programs served national needs, not state needs.

The School of Nursing may lose 55% of its federal support at a time when its contribution to the training of new types of health care personnel should be regarded as critical.

The College of Veterinary Medicine stands to lose its capitation funds—20% of its teaching budget—at a time when Minnesota's regional role in training veterinarians is just beginning to mature.

Support of graduate students in many disciplines continues to decline, as does the institutional support administered by the Graduate School. In a report prepared for the Advisory Committee for Planning and Industrial Affairs of the National Science Foundation, of which I am a member the impact to the health of the basic sciences was apparent. In a case study reported in chemistry and engineering it found that about three-fourths of all basic research is done in academic institutions and that over half (3/5) of academic research is done with the aid of graduate students.

A very major slowdown and depression on our country's ability to develop expertise and technology will be lost if the existing trends are followed.

In short, the University could lose nearly one-third of its federal training support. Within the administration proposals, we find reductions in the National Institutes of Health that would result in a cutback of more than \$8 million at the University over the next two years. This is money that cannot be replaced by state funds in the foreseeable future.

The immediate impact of the President's budget will also be felt in the general student aid programs. While the proposal to fund Basic Opportunity Grants at almost \$1 billion looks like a major increase, the short-term outlook is not encouraging. We still have not heard how this money is to be administered. We do not see very rapid progress in the establishment of the federal mechanisms to handle this program, and we face massive confusion in the next few months as students try to make arrangements to attend the University next fall. The new Basic Opportunity Grant program is an important one, but we still need the older programs to fall back upon until the new system settles down, and we desperately need the institutional aid which Congress intended to supplement the Basic Opportunity Grant program. Without that institutional aid, it is inevitable that colleges and universities are not going to be able to participate in the student aid program as effectively as they should.

Again this year, the budget proposes reductions in Land-Grant support, the program with the longest history of State-Federal partnership. If our cutbacks are proportional to the national reductions, we will lose over \$380,000 in instructional funds, over \$100,000 in agricultural extension, and over \$400,000 in agricultural research.

In the general area of research support, it is nearly impossible to project the impact of the budget proposals for any fiscal year, since the bulk of research awards are made on a competitive basis. We are finding shifts of interest among federal agencies, but the total research budget of the federal government seems to be fairly stable. We do not feel the impact of federal research decisions until actual awards are made, but I can make a general comment. We have been subjected to considerable pressure from federal agencies to break out of the old disciplinary patterns and form new, interdisciplinary approaches to the conduct of research on pressing national problems. We have followed this advice, but so far we have been relatively unsuccessful in attracting interdisciplinary research funds. Some of this may well improve as the executive agencies sort out their new roles, but researchers in the field have not been given much encouragement.

In summary, the University of Minnesota faces the worst outlook we have ever faced in federal support. The partnership we thought we had is seriously threatened by the cutbacks written into the 1974 budget and foreshadowed for future budgets. If these reductions are allowed to stand without some form of replace-

ment funding that can be developed through mutual consultation, our abilities to meet regional, national, and international needs will be seriously, perhaps irretrievably damaged.

TESTIMONY OF DUANE C. SCRIBNER, SPECIAL ASSISTANT TO GOVERNOR WENDELL R. ANDERSON, MINNEAPOLIS, MINN., MARCH 19, 1973

Senator Mondale, Senator Humphrey, Congressman Fraser: On behalf of Governor Anderson, I want to thank you for the invitation to appear this morning to provide a state perspective on the impact of the proposed Federal budget.

As you know, Governor Anderson is out of the Capital today on a business development trip with Lieutenant Governor Perpich and Commissioner James Heltzer of our Department of Economic Development. In his place, he asked four of us to make brief presentations to this hearing.

I will begin with brief remarks concerning a few of the problems created at the state level by the Administration's recommended budget. Mrs. Vera Likins, Commissioner of the Department of Public Welfare, will speak more specifically to the state's response to proposed regulations for Title IV-A of the Social Security Act. State Senator Nick Coleman, the Majority Leader of the Minnesota State Senate, and State Representative Martin Sabo, Speaker of the Minnesota House of Representatives, will comment from the point of view of our State Legislature, which is currently in session, as you know.

I have with me copies of the most current state report available on the subject, called "The Impact of the Proposed Federal Budget for Fiscal Year 1974," prepared by the State Planning Agency. A brief summary of the Report is also attached for your convenience.

As you know, members of the Federal Regional Council, located in Chicago, are meeting in St. Paul today with representatives of state and local government from Wisconsin and Minnesota, also to discuss the impact of the Federal budget proposal. I have with me a packet of the materials prepared by the various departments for that meeting, and I will leave those materials for your examination and use.

Just two months ago, Governor Anderson presented his budget proposals for the biennium which ends July 1, 1975. At that time, current budget impoundments and elimination of some programs were being announced or rumored in Washington. Our state budget review process had begun last summer, more than six months before the presentation of the Budget Message. We had no hard information during that process concerning Federal plans for Fiscal 1974; Congress was in session, and federal laws were being passed and vetoed; over-riden vetoes were being followed by Administration announcements that substantial Congressional appropriations would not be spent.

As you know, Minnesota also has a strong county system, and county and municipal budgeting is carried on on an annual basis. Local government budgets for the Calendar year 1973 carry halfway through Fiscal 1974, and they had to be prepared in ignorance of both State and Federal budgeting.

I am sure that the representatives of local government here today will be able to describe for you the problems that process creates for them in regard to the President's 1974 budget proposal. I mention both state and local budgeting here this morning to provide some overall perspective on the complications for state and local government that are created by any major adjustment in Federal budgeting that has immediate impact on state and local government, as the Administration proposals clearly have.

Ever since the President's budget proposals were announced, we have been trying desperately to determine what effect they might have on the approximately \$500 million in Federal funds that flow into Minnesota state and local government over our two-year budgeting period. It has not been easy.

First of all, we have no information at all about the Federal budget plans for Fiscal 1975, even though we are required to anticipate them because of our two-year budget cycle.

Second, the proposals for Fiscal 1974 are divided between actions the Administration intends to take on an administrative basis and those which require Congressional action. The Congress has not acted on many of the President's proposals, and we know enough about the Congressional deliberative process to know that it is doubtful these questions will be resolved before our Fiscal 1974 begins on July 1. In addition, we have conflicting reports on the status of announced administrative intentions. We believe that the objections of Gover-

nors, Members of Congress and State and Local officials have already had, and will continue to have, major effects on announced Administration plans.

That's fine. We want to hold both the Congress and the Federal Administration to their repeated promises to be responsive to the needs and concerns of state and local government. We are grateful for the excellent cooperation our Congressional delegation provides in our attempt to participate in decision-making in Washington.

But we also know that the President's budget proposals did not emerge overnight. A representative of the Federal Regional Council told us a week ago in Chicago that he was aware of planning of one of the special revenue-sharing proposals more than two years ago. That's excellent. We believe that such basic decisions should have thoughtful preparation.

But in Minnesota, and I am confident in other states as well, we believe we should have the same opportunity for careful, thoughtful planning. We are not getting that opportunity under the President's announcement of his proposed budget. We are required to lay out our two-year plan in January. At that time, the major changes in the President's budget had not yet been announced. Our Legislature is now melting and is required to make its appropriations before the end of May. We still do not know what the 1974 Federal budget will be. We have no way to plan carefully for its impact on our state.

That is not a severe problem when major changes are not taking place at the Federal level. But we simply have no way to respond adequately to major changes without lead time.

That has been Governor Anderson's primary message to the Federal Administration, at the National Governors Conference before the Federal Regional Council, and in countless contacts and communications with both the Congress and the Federal Administration.

There simply is no way that the State of Minnesota can react intelligently and carefully to major Federal changes without hard, consistent information and adequate planning time. Nor should we have to react so quickly. Our responsibility in state government is to protect and enhance the general welfare of our people. That responsibility is shared between the State's executive and legislative branches. The policy of our state must be to resist instant, abrupt negative consequences.

Furthermore, we believe we are entitled to more participation than we have been allowed, if the President's New Federalism is to be anything more than a nice phrase.

Let me provide two brief examples of the problem we face, and then turn the discussion over to the other representatives of state government who are here today.

At the time that general revenue-sharing passed the Congress and was signed by the President, we considered it a godsend in state and local government. It was our clear understanding that this was to be "new" money, a recognition of the burden that state and local governments were undertaking and a commitment to place more spending decisions at a level closer to the people who receive government services.

But in several places in the President's budget proposals, we find notations that general revenue-sharing funds can be used to pick up expenditures that have been eliminated. A case in point is elimination of funding to strengthen state departments of education.

Picking up abandoned federal support is not our idea of freedom and flexibility in the use of general revenue-sharing funds.

The governors of the states asked President Nixon about that during the recent Governors Conference in Washington. He reaffirmed our earlier understanding that states should be free to use general revenue-sharing funds to meet *state-determined* needs.

Last week in Chicago, a representative of the Office of Management and Budget also reaffirmed our understanding of the intent of Congress and the Administration in this matter.

That is the way Governor Anderson budgeted general revenue-sharing funds in his January proposals, and it is the way our countries and cities budgeted those funds last fall.

We believe we now have assurances that we were right. But we cannot accept a Federal budget proposal that is inconsistent with that view, because that will mean that the Federal government is simply cutting funds without justifying the cuts and without identifying alternative resources. We must plan our budget

on the assumption that those programs will continue until we are told by the Congress and the Administration that they will not continue. But we don't know what the decision is. And we won't know what it is by the time we make state funding decisions that cover the next two fiscal years.

A second example.

A week ago we were told that the Federal budget contains approximately \$10 billion of increased funding for programs administered by the Department of Health, Education and Welfare, even though some of those would be spent in more flexible programming. That increase was declared to be a healthy improvement in human programming at the Federal level.

So we asked for a breakout of that funding, which we received during the week. It tells a different story.

For Social Security trust fund payments and Medicare, the increase is \$9.2 billion.

That leaves a real increase in funding for H.E.W. programming of \$800 million. Except that it doesn't. The Federal budget also estimates that the "takeover" of the adult categories under H.R. 1 will require \$2.2 billion.

Incidentally, we estimate that this "takeover" will cost Minnesota state government more money than it is now spending for these categories, rather than making state money available for other purposes. But that is another subject.

What the figures mean is that outside the adult financial assistance areas, H.E.W. will have about \$1.4 billion less than it has in the current year to support its programs.

Proposed shifts of some OEO programs into H.E.W. presumably mean that further cuts in other parts of the H.E.W. program are anticipated. We don't have the figures on that.

And that doesn't take into consideration increased costs for these other programs that are automatic because of the increase in cost of living for employees, for supplies, and for other expenditures. Just making a guess, it could be a \$2 billion cut, or more, rather than the announced \$10 billion increase, when adult cash assistance programs are left out of the calculations.

For most purposes, the best way to estimate the impact on Minnesota is to multiply by two percent. That would constitute a \$40 million impact on our state for one year, and \$80 million for the biennium.

I hope you will not hold me to those figures. We do not know how much it might be. The decisions have not really been made in Washington, And, of course, we do not have detailed information on where any of those cuts might come, so far as individual programs are concerned. Our state agencies are developing estimates as more information comes in from the Federal agencies.

But that is the point of this statement. We are still in a major guessing game at the precise time when we must make our state funding decisions. There is no way to deal thoughtfully with these problems in the time we have.

The problems are similar in every area of the Federal budget proposal that we examine.

We cannot live with our situation. We do not intend to do so. And we ask you today to help us get the time we need and the participation we must have.

Thank you for the opportunity to be here this morning.

UNIVERSITY OF MINNESOTA, COLLEGE OF BIOLOGICAL SCIENCES.

March 22, 1973.

Vice President STANLEY J. WENBERG,
State and Federal Relations,
Twin Cities Campus—Minneapolis.

DEAR VICE PRESIDENT WENBERG: The following is the best estimate we can provide you with of the impact of Federal Program cutbacks on our Graduate Programs in Biology. It relates to three categories of support: 1) training grants for comprehensive programs in broad areas of study; 2) individually received research grants to support specific professors' research (this category usually has graduate student support attached to it in the form of research assistants); and 3) career development awards to three of our faculty whose released salary funds are then used to support graduate students.

Category 1: The College has four training grants provided by the National Institutes of Health. They are in the areas of Genetics and Cell Biology, Be-

havioral Genetics, Biochemistry, and Vertebrate Behavior and Ecology. The total annual budget for these grants is about \$394,135. Approximately fifty-four graduate students working towards the Ph.D. receive stipend support from the training grants. In addition, six individuals who have the Ph.D. are supported for post-doctoral study. The mix of pre-doctoral and post-doctoral students fluctuates somewhat from year to year but it is fair to say that training grant funds are the principal source of support for more than one-sixth of our post-baccalaureate students.

Category 2: The faculty in the college have fifty-nine individual research grants. On the average we can assume that each grant provides support for at least one student working toward an advanced degree. Thus, another slightly more than one-sixth of our students receive support from this source. If the information from the various program directors in Washington is correct, it seems apparent that support of students on these individual grants will also be terminated.

Category 3: Relates to release funds from Career Development Awards that are made by the NIH to pay the salaries of our faculty. These released funds support fifteen graduate students this current year.

In summary, it appears that support for approximately forty percent of our 300 graduate students is in jeopardy.

I hope this information will provide some of the essential ammunition.

Sincerely yours,

RICHARD S. CALDECOTT,
DEAN.

UNIVERSITY OF MINNESOTA, OFFICE OF THE VICE PRESIDENT
FOR STUDENT AFFAIRS,
Minneapolis, Minn., March 16, 1973.

Senator HUBERT HUMPHREY,
411 Old Senate Building,
Washington, D.C.

DEAR SENATOR HUMPHREY: I wish to urge your strong support for more appropriate funding of federal funds for student financial aid for 1973-74 and 1974-75, than I understand was recommended by President Nixon in his recent proposals.

As I understand, the student financial aid recommendations are as follows:

	Fiscal year 1973	Supplement fiscal year 1973 for use in 1973-74	Proposed fiscal year 1974 for use in 1974-75
Interest on insured loans.....	\$245,000,000		\$310,000,000
Payment of default on insured loans.....	46,640,000		57,883,000
Direct student loans (NDEA).....	292,970,000		5,000,000
Basic opportunity grants.....		\$622,000,000	959,000,000
Supplementary opportunity grants.....	210,200,000		
Work study.....	270,200,000	250,000,000	250,000,000
Co-op education.....	10,750,000		10,750,000

† These amounts are proposed as supplemental legislation for 1973.

It seems clear that the burden of handling the assessment of need for the expanded Insured Loan Program, while cutting back the Direct Student Loan Program, falls directly on each college and university. In 1971-72, the University of Minnesota had 4,144 Direct Student Loans totaling \$2,616,058, and an estimated 8,000 to 10,000 Insured Loans. These latter students were not required to have a needs analysis. Thus, under the present plans for shifting to the Guaranteed Bank Loan program with the requirement of a needs analysis by the institution, we will nearly triple our work load in this one area.

Also, the Work Study Program is being reduced from \$270,000,000 in fiscal year 1973 to \$250,000,000 in fiscal year 1974, and the same is proposed for fiscal year 1975. Assuming proportional cutting, and greater institutional need, this reduces our resources about 40%. In 1971-72, we had 1,016 students being paid \$836,118 on this program and a 40% reduction at a time of increasing costs of living and tuition, etc., is a very significant cutback.

With costs of education, as well as costs of living, increasing, we are placing a very heavy financial burden on an increasing number of young people. I believe that too many young people are accumulating an excessively heavy loan obligation, even though I think it quite proper to expect a student to be willing to invest a reasonable amount in himself.

Thus, in the interest of a more adequate balance, I urge additional funding for the Work Opportunity Program and a larger grant-in-aid-program. Also, to assist the colleges and universities in meeting the costs of the added work of need assessment in the loan programs. I urge some institutional payments similar to the institutional payments of the National Defense Loan Program, which are 3% of the costs of the Work Study, E.O.G. and NDSL loans made to a maximum of \$125,000 per institution. Perhaps ½% for the need assessment work would cover the major costs.

In any event, I urge your vigorous support of increased educational opportunity for our young men and women.

Cordially,

MARTIN L. SNOKE,
*Executive Assistant to the Vice
President for Student Affairs.*

UNIVERSITY OF MINNESOTA—INSTITUTE OF TECHNOLOGY,
Minneapolis, Minn., March 16, 1973.

MEMORANDUM

To: The Honorable HUBERT H. HUMPHREY, Senator from Minnesota.

From: Richard A. Swalin, Dean.

Subject: Impact of Federal Budget on the Institute of Technology.

1. Cutbacks in federal appropriations will without question reduce support of basic research in I.T. This will in turn reduce the support of graduate students, and to some extent, the undergraduate programs (a number of undergraduates find part-time employment as part-time laboratory assistants on sponsored research projects).

2. The veto of the Mineral Resources Institute Bill is inconsistent with the problems facing the nation. We have a balance of payments deficit; we import 8 billion dollars in minerals and/or crude oil and its by-products. The Mineral Resources Institute Bill would be a step toward making this country less dependent on imports by improving exploration, development, mining and production of our mineral resources.

3. The provisions of the Mine Safety Bill will require 1200 mine safety inspectors (mining engineers). This represents twelve years production of our mining engineering colleges. The Mineral Resources Institute Bill would have helped to stimulate interest in this profession and increased the output of these colleges.

4. The impounding of funds has resulted in the closing of certain government offices (the Office of Saline Water) and this support of worthwhile research has ceased.

5. There is concern that cutbacks in H.E.W. funds will result in cutbacks in support for the University Hospitals which will have to be covered by University funds, thus, cutting down funds available to I.T.

6. The uncertainty of federal funding and continuity of support for long-term research makes it very difficult for a scientist to plan an orderly program of research.

7. The cutback and phasing out of training grants by E.P.A. will result in a serious reduction in the University efforts on pollution control and the clean water program.

8. The results of cutbacks, impounding of funds and cancelling of programs has already reduced federal funding in the Institute of Technology by \$2,500,000 since 1970 with a consequent drop in graduate student enrollment of 400.

UNIVERSITY OF MINNESOTA INSTITUTE OF AGRICULTURE,
St. Paul, Minn., March 15, 1973.

To: Vice President S. J. Wenberg.

From: Sherwood O. Berg, Dean; Institute of Agriculture.

Subject: Summary Statements for Meeting with Senator Humphrey Concerning
Proposed Fiscal Year 1974 Federal Executive Budget Proposal.

Reference: Memo, Wenberg to Moos, *et al.*, March 9, 1973.

The attached document summarizes the dollar and staffing impact of the proposed federal executive budget for fiscal year 1974 on Institute of Agriculture research and extension programs.

I wish to speak very briefly to a few of the implications of these cutbacks in programmatic terms. In terms of agricultural extension programs, the proposed reductions will result in wiping out the equivalent of the 4-H program expansion provided by the Congress in 1972-73 for rural areas in Minnesota. Further, the proposed cutbacks will reduce our very successful Expanded Food and Nutrition Program for low income citizens by about four paraprofessionals and essentially close the program in two (and possibly more) counties in the state. These are but two examples of how our extension programs will suffer.

Although the specific programmatic impact of the research cuts has not yet been fully determined, it is clear that the overall program will be reduced by approximately 12 percent, hitting some programs much harder than others when specific reductions are decided upon. As you know, the Experiment Station and Extension Service both serve state-wide missions and the proposed cutbacks will adversely affect the entire state.

I want to make two additional points which I believe are important.

1. There has been much discussion and rhetoric from the present administration concerning the desirability of moving to the revenue sharing concept and decentralizing power and decision-making to the states as opposed to specific grant programs of the federal government. It should be pointed out in strong terms that the Hatch and McIntire-Stennis Acts (agricultural and forestry research) and the Smith-Lever Act (agricultural extension) already embrace the revenue sharing concept—they are formula allocations to states and not specific grant programs. We view the proposed cutbacks in these formula funds as extremely serious and inconsistent with the revenue sharing concept.

2. During the past decade expanded federal funding has enabled institutions of higher education to make important advancements in equal employment opportunity hiring practices. I am extremely fearful that federal cutbacks will result in reductions in force at our higher educational institutions which will strike hardest at minorities and females who may be near the bottom of the institutional ladder now but rapidly on their way up. Unfortunate as it may be, job seniority will probably be a decided factor in who goes and who stays. The results are not difficult to foresee and will be a serious setback to the groups who most need assistance at this critical time.

SUMMARY OF THE EFFECT OF BUDGET RECOMMENDATIONS ON INSTITUTE OF
AGRICULTURE PROGRAMS

If the budget recommended by the President is adopted by Congress, Agricultural Research and Agricultural Extension would be effected as follows:

1. *Agricultural Experiment Station.*

Fiscal 1973 base, \$1,687,938.

Fiscal 1974 budget recommendations translate into following cuts for Minnesota Experiment Station:

Hatch -----	\$337, 588
McIntire-Stennis—Forest and wood products-----	30, 767
Special Grants (competitive)-----	66, 000

Total proposed cuts----- 434, 355

In terms of personnel, this would translate into the following:

 Cutback of 8 at professorial ranks (FTE-12 mt. basis).

 Cutback of 2 research associates (FTE-12 mt. basis).

 Cutback of 18 graduate students (FTE-12 mt. basis).

 Cutback of 8 civil service (FTE-12 mt. basis).

2. *Agricultural Extension Service.*

Fiscal 1973 base, \$3,828,242.

Total proposed cuts in fiscal 1974 Executive Budget----- \$100, 736

In terms of personnel, this would translate into the following:

 Cutback of 5 at professorial ranks (FTE-12 mt. basis).

 Cutback of 3 at civil service ranks (FTE-12 mt. basis).

UNIVERSITY OF MINNESOTA, DEPARTMENT OF PSYCHOLOGY,
Minneapolis, Minn., March 22, 1973.

Mr. STANLEY J. WENBERG,
Vice President,
232 Morrill Hall.

DEAR MR. WENBERG: You have asked me to provide minimum information about the likely effects of changes in Federal funding policies on the programs of this academic department.

I attach a table of funding sources prepared by the University's Office of Sponsored Research and updated for fiscal 1972. In fiscal 1973, we know that our three training grants in this department alone total \$447,942, a reduction of approximately \$42,000 over fiscal 1972. These are in the areas of clinical psychology, human learning, and rehabilitation counseling.

The table does not show dollar amounts for three other training grants which provide support for our graduate students but are administered by other departments or colleges.

Typically in our training grants, 67% is allocated to stipends, dependency allowances, and tuition of students; the remaining 33% covers support staff, faculty, and general supply costs.

Within two to three years our training grant dollars will drop to zero, according to instructions we have received from Federal agencies (NIMH, NICHD, SRS). We shall lose stipend support for 90 graduate students in the following six fields: behavior genetics, human learning, psychopharmacology, clinical psychology, school psychology, and rehabilitation counseling. These 90 trainee slots represent approximately 24% of the 376 graduate students in the department in the fall quarter of the 1972-73 academic year. We cannot expect state funds to cover these losses, nor can I estimate how many future graduate students will use loans or their own resources to pay for graduate study, with predictable changes in the socio-economic mix of our students, and in our efforts to train more minority group members.

We are currently reviewing almost one thousand applications for admission to graduate study in psychology next fall. We shall probably be able to accept no more than 50-60 of these. In view of decreased funding support in the months ahead, we shall not be able to support all those whom we do admit.

The table also shows some decline in research funds; I expect this decline to continue. We shall then lose additional stipends in the form of research assistantships for graduate students; in 1972-73 we have at least 32 such stipends.

On both research and training grants, we are carrying approximately 17 full-time equivalent support staff in 1972-73 (secretaries, management assistants, computer programmers, lab technicians, shop personnel). As grants are reduced or terminated, these personnel must be laid off.

Since research and graduate training activities clearly interact with our undergraduate programs in terms of equipment, facilities, teaching and staffing patterns, the new Federal policies, if maintained, will drastically reduce our effectiveness as a regional and national center for trained manpower for important research and service programs.

Yours sincerely,

JOHN G. DARLEY,
Chairman.

TABLE 45.—DEPARTMENT OF PSYCHOLOGY: SPONSORED RESEARCH AND TRAINING AND GENERAL SUPPORT FUNDS

Fiscal year	Research	Training	Total	Deflated total ¹	General support
1962.....	128,622	140,197	268,819	315,886	235,154
1963.....	182,476	195,473	377,949	431,941	263,817
1964.....	173,380	255,550	428,930	477,650	270,482
1965.....	246,670	430,679	677,349	730,689	286,580
1966.....	329,266	503,281	832,547	868,140	372,012
1967.....	439,217	551,189	990,406	990,406	456,573
1968.....	561,218	640,026	1,201,244	1,146,225	521,566
1969.....	690,154	601,382	1,291,536	1,174,123	583,187
1970.....	783,618	540,296	1,323,914	1,141,305	658,885
1971.....	861,488	518,618	1,380,106	1,126,617	712,740
1972.....	827,311	490,186	1,317,497	1,037,399	706,739

¹ Current dollars deflated using Academic Research and Development Price Index (1967=100), Science Resources Studies, National Science Foundation.

Source: Sponsored Projects Expenditures Report, 1971, Annual Financial Records, Business Office, University of Minnesota.

UNIVERSITY OF MINNESOTA COLLEGE OF EDUCATION,
Minneapolis, Minn., February 23, 1973.

To: Vice President William G. Shepherd.
From: Dean Jack C. Merwin.

As per your request, please find attached summary statements of consequences to the College of Education as a result of recent notifications concerning federal grant terminations. The attached relate to significant and dire cutbacks in both the Institute of Child Development and the Department of School Psychology.

UNIVERSITY OF MINNESOTA INSTITUTE OF CHILD DEVELOPMENT,
Minneapolis, Minn., February 22, 1973.

Dean JACK C. MERWIN,
*College of Education,
University of Minnesota,
Minneapolis, Minn.*

DEAR JACK: Confirmation has reached us that both of the USPHS training grants held by the Institute of Child Development will be terminated on 30 June 1974, the close of the current funding period for each grant. The two grants and the direct costs awarded for the present year are as follows:

1. "Child Psychology," National Institute of Mental Health: \$88,068.
2. "Behavior and Development of Preschool Children," National Institute of Child Health and Human Development: \$79,216.

The NIMH grant has been the mainstay of graduate training in the Institute for many years; it is now in its 15th year of continuous funding. The NICHD grant, on the other hand, has been the cornerstone of expansion in our high priority program in early development and education.* This grant is now in its 8th year of continuous funding. Together, these two grants support 25 predoctoral trainees and one post doctoral trainee.

Programatic Impact. These terminations constitute a catastrophe for the doctoral program in the Institute of Child Development. Our prestige as a national resource rests on our graduate program and our research. Our doctoral program in child development is widely recognized as the most distinguished in the nation. Demand for our graduates is very high, and continues to be so. Considering that the program currently enrolls only 50 highly selected students, it can be said that the training grant terminations will do no less than gut the program. The University continues to provide no teaching or research assistantships to the Institute of Child Development and students other than the trainees are all supported from research grants—another tenuous source.

*The NICHD grant will also suffer a 30% cut for 1973-74 and no new trainees may be funded during that period.

The trainees themselves provide a variety of instructional services to the University. *Ten sections (approx. 30 students each) of the introductory course in child psychology are taught gratis by these trainees during each academic year.* Although this experience is considered to be an integral part of the graduate training program, it is obviously of great value to the University. Each trainee also serves as a volunteer teaching assistant in one of our large courses and following this teaching experience most trainees become part of the large pool needed by the Extension Division for instruction in child psychology. Considering the absence of University-supported teaching assistants in the Institute of Child Development, the instructional contribution of these trainees can hardly be over-estimated.

OTHER SPECIFIC LOSSES

1. *Professorial positions.* 1.3 FTE professorial positions are funded from these grants. Professor Wozniak, a most promising faculty member who is chairman of the Honors Program in Child Psychology (45 students—third largest in CLA) and whose courses enroll some 450 students per year, is paid entirely from these funds.

2. *Administration of the Institute.* Summer salary for the Director is provided from these grants. For a number of years now, the Director's position has been a B-base rather than an A-base position. The Institute is a major department of the University; its summer offerings are among the most extensive of all units in the University; its research and graduate training programs are year-round programs. The unit cannot be allowed to remain uncovered administratively for three months.

3. *Administration of the Laboratory Nursery School.* The school remains open during the first summer session to accommodate large numbers of students, practicum workers, and research projects. Summer salary for Dr. Moore, the director of the school in paid by grant funds, and is a necessity to the early childhood program of the University. In addition, 10 months of half-time administrative assistance is provided to the nursery school from this source.

4. *Administrative costs for the Institute of Child Development.* Since no part of departmental administrative costs derives from overhead funds or indirect cost payments, it has been necessary to build certain necessary administrative positions into these grants. All research coordination, processing of graduate student applications, and preparation of instructional reports in the Institute of Child Development is provided by one .8 FTE position paid by these monies.

5. *Supplies.* Nearly \$4,000 each year in supplies for the nursery school has been provided by these funds. The laboratory school is an enormously expensive operation which is funded in part by tuition payments from parents, in part by University support funds. These sources, however, are not adequate to produce the high quality school which this has been and which has attracted large numbers of Minnesotans into training program here in early childhood education.

6. *Faculty summer salaries.* Professor Flavell, the training director on the NIMH grant, receives two-months summer salary from these grants.

To summarize: the \$167,000 realized from these two training grants amounts to 19% of the entire instructional and research budget of the Institute of Child Development. The damage inflicted by these losses is greatest on the doctoral training program in child development. This program has been a source of pride for both the University and the field. It is also clear that the broader instructional function of the Institute within the University will be seriously damaged by these terminations. Some functions simply must be covered by alternative resources.

Sincerely yours,

WILLARD W. HARTUP,
Director.

UNIVERSITY OF MINNESOTA SCHOOL PSYCHOLOGY TRAINING PROGRAM,
Minneapolis, Minn., February 23, 1973.

To: Jack C. Merwin, Dean, the College of Education.

From: Marian D. Hall, Director, School Psychology Training Program.

Re: Effect of termination of NIMH funding (Training Grant 5T01 MH-06669) scheduled for June 30, 1974, on School Psychology Training Program, University of Minnesota.

Dollar losses

(a) Instructional items:

Personnel: (all faculty positions in the department are NIMH funded in percentages stated):

Professor Hall (75 percent)-----	\$19, 000
Associate Professor Weinberg (33 $\frac{1}{3}$ percent)-----	6, 000
Associate Professor Egeland (33 $\frac{1}{3}$ percent)-----	6, 000
Assistant Professor Shrago (33 $\frac{1}{2}$ percent)-----	5, 300
Assistant Professor Linker-----	6, 000
Senior secretary (100 percent)-----	7, 000

Total-----	49, 300
Supplies, travel, and other teaching related items-----	3, 254

Total teaching grant (1972-73)-----	53, 554
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(b) Trainee items:

Stipends (support for 12-14 doctoral students per year)-----	31, 846
Tuition and fees-----	13, 618

Total-----	48, 464
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Total award (1972-73)-----	101, 018
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CONSEQUENCES OF LOSS OF FUNDING

1. Consequences to staff.

Since all staff members are supported to some degree by federal monies, the effects on staff are total and devastating. If additional monies are not forthcoming, the two Assistant Professor positions are subject to being lost to the program and two highly qualified non-tenured professors released. It should be noted that Assistant Professors Shrago and Linker, on joint appointments with the University's Psycho-Educational Center and the Minneapolis Public Schools, respectively, represent the outreach of the program to educational field placements and as such, make invaluable contributions not only to the program but to the total community.

Under present tenure regulations, the University must pick up the cost of the three tenured positions. These three positions represent the core of this doctoral program, its major offerings, its research contributions, and its cross appointments in the departments of Educational Psychology, Child Psychology, and Psychology.

2. Consequences to students.

The loss of student support is crucial in a program that has never been allotted TA or RA support from University monies and that, in its present form, demands full-time, on-campus attendance for a minimum 12-month period of four years to achieve the Ph.D. degree. Program strength has been directly related to availability of student support, which has permitted recruitment across a wide area and selection of a limited number from a very large pool of applicants (ratio approximately 1:25). Other forms of student support will have to be found.

3. Programmatic consequences.

The total programmatic consequences of loss of funding can only be evaluated in view of the following facts:

(a) The final funding year (1973-74) will represent the 17th year of federal support, totalling in excess of \$2,000,000 over that time and representing amounts of "seed money" and University effort that should not be allowed to be lost to the University and the state.

(b) Until the last two bienniums, there has been no regularly budgeted University support for this program. In 1970, the College of Education began to guarantee new staff positions under the regents 40% rule. Currently, University support totals about \$40,000 per year. Further increases in University support had been given high priority by the College of Education.

(c) The most significant contribution that the University makes to the program is the unsurpassed strength of the three major departments on which the program depends (Educational Psychology, Child Psychology,

Psychology). Students in this interdepartmental program have available to them resources richer than any comparable training program in the country. Evidences for program superiority include:

1) The program has been federally funded for a longer period and more adequately than any other School Psychology program in the country and consistently considered by NIMH to be its "showcase" training program.

2) The program was one of the first three programs in school psychology to be fully accredited by the American Psychological Association (along with Columbia Teacher's College, and the University of Texas) after extensive evaluation in 1972.

3) Degrees granted by the program since 1963 include over 50 MA degrees, 50 Specialist in Education degrees, and 30 Ph.D. degrees. Graduates with subdoctoral degrees are working in schools throughout state and the Midwest, in direct service to children, teacher training and educational planning. Graduates with doctoral degrees are directors of Child Study or Pupil Personnel departments in many schools throughout the state. At least a dozen of them now serve as professors or directors of other leading training programs for school psychologists, including Moorhead State in Minnesota (the only other training program in the State, training subdoctoral school psychologists) and many other leading institutions throughout the country.

(d) The legislature cannot overlook the mandate to provide psychological assessment and psycho-educational treatment for the children and adolescents in schools throughout the state. The only doctoral training program in school psychology in the state and the region and the only approved program producing school psychologists at any level (except for the affiliated program at Moorhead State) is this program, whose existence is now seriously in jeopardy by reasons of loss of federal support. If the programs now written into law requiring the state to provide full educational services to children are to be actualized, the state must provide necessary support for this training program.

MARIAN D. HALL.

STATEMENT TO: SENATOR HUMPHREY AND SENATOR MONDALE AND CONGRESSMAN FRASER AT PUBLIC HEARING ON: THE IMPACT OF THE 1974 FEDERAL BUDGET IN MINNESOTA, TUESDAY, MARCH 20, 1973, AT NORTHERN STATES POWER AUDITORIUM, MINNEAPOLIS. SUBMITTED BY: BEA KERSTEN, DIRECTOR, AFL-CIO COMMUNITY SERVICES, GREATER MINNEAPOLIS AREA AND PRESIDENT SENIOR CITIZEN WORKERS' ASSOCIATION OF THE GREATER MINNEAPOLIS AREA

Senators Humphrey and Mondale and Congressman Fraser, you are to be congratulated for calling this hearing; for affording groups, organizations, and individuals to express their reactions to the issue!

I heartily congratulate you, and thank you for affording me, on behalf of the AFL-CIO Community Services Committee, and also the membership of the Senior Citizen Workers' Association, to submit a statement for the record. For the record, I know I speak for those I represent, as well as personally, when I say,

"We are all concerned about getting the greatest value and return for every tax dollar spent!"

"We believe constant evaluation should be made, making sure that programs, and services are, in fact, accomplishing what they were designed to accomplish."

However, we oppose putting monetary values ahead of human values! We oppose changes in regulations, for instances, that will result in the termination, or at best, severe curtailment of Social Services to human beings; the very young, the very old, the disabled, the sick, the financially insecure and poor!

The following facts are the reasons for the AFL-CIO Community Services Committee, and the Senior Citizen Workers' Association, opposing the proposed regulations, changes and Federal Budget reductions, and total withholdings:

(1) Virtually no provision for "prevention" in proposed regulations.

Fact: Cure is much more costly, both in terms of dollars and in terms of human suffering, family breakdown, delinquency, crime, etc. than is prevention!

(2) With substantial evidence for the need for additional child day care centers; not only will Hennepin County residents not have the advantage of an increase; but the number of children with adequate accommodations for child care during the past year, according to proposed regulations, over 600 of these children will no longer be entitled to the present accommodations.

Fact: A high percentage of the low income mothers of these children may be forced onto welfare.

Fact No. 2: Highly qualified school, child counselors say the quality of care a child receives in the first six to seven years of life, pretty much determines the individuals future and destiny.

(3) As a result of proposed regulations, 6000 aged persons in public housing projects alone, in Minneapolis will no longer have the assistance and support which maintains their independence.

Fact: Studies done by a responsible organization have shown that one way to reduce *human anguish, suffering, and cost.* is to provide vastly increased homemaker services, chore services to the disabled, the elderly ill, so they may enjoy the security of their own home or apartment, rather than having to be admitted to a nursing home or institution!

Fact No. 2: In addition to the 6000 elderly in public housing, who as a result of proposed regulations, will no longer be entitled to supportive social services, there are at least another 6000 elderly poor who have received and continued to need to receive supportive social services, if they are to continue with a degree of independence, dignity, and self support.

(4) Family life; if the backbone of our society is the "family", by proposed regulations, we are taking steps to destroy the family unit with the drastic curtailment of "Family Life Educations".

Fact: At least one agency, presently providing family life education, including day care for trainable retarded children, only two of the children presently in the program, will be eligible, as a result of the proposed regulations.

(5) Federally supported legal services for the poor will be terminated, a resource which many clients of members of the Senior Citizen Workers' Association, and the AFL-CIO Community Services have found most useful.

(6) Other proposed changes which would drastically cripple "vital human services", include:

A. removing housing, transportation, emergency social services,

(a) and health services, day care, and much needed homemaker service from the mandatory category.

B. The very restrictive definition of former and potential recipients of public assistance, which is another example of completely ignoring the "great" value of preventative programs—and prevention.

In conclusion may I say, if there is to be hope for, and solution of the problem. of reducing costs of health and welfare, in my humble opinion, the only hope and solution will be as a result of great input and effort, "both financially and intellectually", into prevention. Let's help to keep humans (our greatest resource), and families together, and healthy, both physically and mentally, with a degree of dignity and financial security!

An ounce of prevention is worth a pound of cure! is as good a slogan today as it was 100 years ago!

If we are "interested in prevention", rather than meeting a "crises after the fact", maybe we should urge our Congressional leaders and the administration to:

(1) Make sure adequate health care is available to all persons at all ages. (Much cheaper to keep persons healthy than to try to keep them from dying).

(2) Make sure adequate housing is available to *all* persons, at a price that they can afford.

(3) Make sure that all persons who are available for work, who need to work and who want to work, have meaningful work to do, even if it means the Government is the "employer of last resort".

(4) Make certain, by passage of realistic minimum wage law, that all persons who work, earn at least a wage equal or slightly better than poverty level income.

(5) Make sure that free quality education is available to all persons.

NATIONAL ALLIANCE OF BUSINESSMEN,
Minneapolis, Minn., March 16, 1973.

HON. HUBERT H. HUMPHREY,
Senate Office Building
Washington, D.C.

DEAR SENATOR HUMPHREY: The Minneapolis NAB is deeply concerned about the termination of the Neighborhood Youth Corps program. While we are proud of the just over 1,100 disadvantaged youth that were placed on summer jobs in

the private sector directly through the NAB effort last year, we are well aware that ours was a small contribution to the total picture of jobs for kids. We know that the NYC had some 3,200 youngsters on meaningful projects.

When we speak of 3,200 NYC youngsters, we are speaking of poor kids. Kids who spent their pay check to buy food for the family. Kids who bought clothing for their brothers and sisters. Kids who saved and bought themselves a presentable wardrobe so that they could return to school unashamed in the fall because they were properly clothed.

The President has stated that because of an upturn in the economy the employment picture will be considerably better this year. Even this may be true; it will not greatly increase the summer job opportunities for in-school youth. If true, it will give many of the major employers the opportunity to fulfill their moral and contractual obligations to regular employees on lay-off. Let us assume that the change in the economic picture does help the summer programs and we are able to place through the NAB effort not 1,100 but 1,500 disadvantaged kids in the private sector. This is an increase of over twenty-five percent. Then let us say we have no NYC program. This would leave 2,800 poor youngsters without an opportunity to work.

These are young people who cannot afford to travel. They cannot afford to attend community functions. They will be relegated to the streets. Some will drift away despondent. Some will not return to school and a few may get into trouble. Whatever happens to them is our responsibility.

We visited many of our NYC sites such as the Mississippi River bank project, Fort Snelling Park, "Y" camps, etc. We have seen the wonderful work done by the young people. The building of benches, picnic tables, trails and roadbeds and their work at the veteran's hospital. We, the adult community, impressed on these youngsters, and rightfully so, the wonderful and meaningful job they were doing. Now we destroy their morale and their trust in our society by abandoning all these worthy projects and are almost telling them we were only kidding.

The reinstatement of the NYC program is a must. It should be the No. 1 project of every Congressman and Senator in our country. It is not a program that can be delayed. Action must be taken now. There is much to be done to activate the program such as lining up of work sites, counselors, supervisors, etc. These things can only be done when it is known that funds are available. Please act now.

With best regards.

Sincerely,

ROY S. NORDOS,
Metro Director.

UNIVERSITY OF MINNESOTA,
OFFICE OF THE VICE PRESIDENT FOR STATE AND FEDERAL RELATIONS,
March 9, 1973.

GOVERNMENTAL RELATIONS NEWSLETTER

A FURTHER PERSONAL NOTE ON THE 1974 EXECUTIVE BUDGET

In the three weeks since our last newsletter, newspapers and broadcasts have been filled with comments by various groups—from mayors to Members of Congress, from farmers to agriculture officials, from OEO projects to the new OEO head, from the Democratic governors, from educators, and on and on—about the effects of President Nixon's proposed 1974 budget. If nothing else, these comments have reflected the massive state of confusion over the rationale behind the budget and, accordingly, the real impact of this budget and the budget proposals over the next few years. Further detailed information available from Washington offices seems to require some further comments here also.

Three things that have very little relationship to the detail of the budget emerge from further study: (1) inconsistencies in expression of administration intent, (2) either simplistic or unrevealed reasoning for doing things, and (3) apparent non-conformance with existing laws.

The first illustration comes from a circular from the Department of the Treasury, Office of Revenue Sharing, describing details of the revenue sharing program, in which the following question and answer appears:

"Question: Will any program be terminated because general revenue sharing has begun?"

"Answer: No. Revenue sharing does not mandate any cuts in existing programs. The purpose of the revenue sharing law is to allocate additional funds to state and local governments to augment existing programs and aid certain capital expenditures. Executive agencies, as in the past, will evaluate other programs on their respective merits."

Compare this with the following paragraph that appears in the department of Health, Education, and Welfare statement which describes the implications of the 1974 budget:

"With the increasing availability of general revenue sharing funds, it is expected that States and localities will be able to continue the most promising projects and programs formerly supported by Federal categorical assistance programs."

It would appear that there is a contradiction here. This is just one illustration.

Secondly, the published statements of the rationale behind the executive budget have been fragmentary at best and most difficult to follow. For the most part, we have seen argument by assertion or edict not by evidence and reasoning. Programs stoutly defended in the last budget are declared ineffective this year. This is so prevalent in the budget message that one puzzles over whether there is an absence of communication among the departments of the federal government, or an over-exuberant administrative momentum—remindful of the Cimarron homestead rush—to terminate on a wholesale basis the partnership relationships that have been developed over 25 years to get national tasks done, or a combination of both.

H.E.W.'s explanatory notes on the 1974 budget are replete with such statements as:

"It is now believed this program (Language and Area Studies) can be continued without further federal assistance."

"The private capital market for construction loans is growing. Federal categorical construction assistance (for hospitals) is therefore no longer justified."

"Signs of overbuilding are apparent on many college campuses. It is expected that colleges and universities can now meet their construction requirements without further federal assistance."

One can only wonder which of the States will assume responsibility for training the nation's foreign service personnel in Southeast Asian language and area studies. Which state will specialize in South America? Which in the Middle East? How often will these responsibilities be judged more important than internal state needs when states are wondering how even the most pressing internal needs can be met with limited resources? How many teaching hospitals or rural hospitals will be able to assure private investors that construction loans can be met with patient income? How will those same assurances be made by colleges and universities that are not "over-built", where the simple replacement of outdated facilities requires a major building program, or where the facilities in question serve national purposes?

A further illustration comes in H.E.W.'s reference to the discontinuance of Health Sciences fellowship-training grants, which were established to meet national manpower needs. We are now told that "it is anticipated that the general student assistance programs of the Office of Education will provide all of the manpower needed to ensure an adequate supply of manpower in these disciplines." Turning to later pages in the same H.E.W. document, however, we find direct loans (the old NDSL awards) cut \$288 million from \$293 million for 1973 to \$5 million for 1974. Work-Study and Cooperative Education is cut from \$261 million to zero. These, apparently, are to be replaced by the Basic Opportunity Grant program, recommended at the authorized level of \$959 million, in which the national effort is aimed at improving educational opportunities for students from the lower quartile of the income spectrum. (It should be added here that the institutional aid Congress authorized along with the BOG student aid, so that institutions could develop and maintain the programs necessary to work effectively with low-income students, are not requested in the 1974 budget. At this point, we do not even have the assurance that we will have funds for the administrative costs involved in processing BOG applications.) In short, the BOG program was authorized to serve equal opportunity needs, while other training programs were funded to meet manpower needs, particularly in highly specialized and technical areas. Both are needed, but we are told to "make do" with one. And we are told to do it abruptly, without a documented rationale, without clear guidelines, and without institutional aid.

The Basic Opportunity Grant proposal in the executive budget also raises questions about conformity with the existing law, as passed by Congress and signed into law by President Nixon in June, 1972. In discussing Basic Opportunity Grants, the Higher Education Amendments of 1972 stipulate that:

"No payments may be made on the basis of entitlements established under this subpart (BOG) during any fiscal year ending prior to July 1, 1975, in which— (a) the appropriation for making grants under subpart 2 (Equal Opportunity Grants) of this part does not at least equal \$130,093,000; and (b) the appropriation for work-study payments under section 441 of this title does not at least equal \$237,400,000; and (c) the appropriation for capital contributions to student loan funds under part E of this title does not at least equal \$286,000,000."

No reference is made to this in the HEW budget document, but clearly the administration's proposal to fund the BOG program and cut the other student aid programs prior to 1975 is in violation of the law signed last June.

Having observed these contradictions and "simple" explanations in public statements released within recent months, one cannot but be impressed with the apparent absence of understanding of the problems or the unwillingness to state what the administration's understanding is based upon.

I assume that educators from schools across the country have, from time to time, made statements to federal officers which suggest that particular programs may have been "ill-conceived", "ill-developed", "failures", and so forth. These statements, often intended to foster program improvements, apparently are being used now as reasons for program eliminations. All of us in higher education have a responsibility to identify those programs that appear to be failures or to be "ill-conceived", but this gets done through public studies, agency evaluations, and Congressional hearings. The current budget decisions appear to have followed a considerably less public process, with little opportunity for reasoned argument.

Mr. Richardson has been on record repeatedly advocating that HEW's categorical programs be dismantled. He has been quoted extensively in press releases indicating that program decisions in the general area of public welfare, health and education can best be made close to the source of the problem and not be the federal bureaucracy. The rhetoric of his position seems close to indisputable. Once you decide welfare problems are "where the people are", you should move the decision process "where the people are", but it seems only elementary to suggest that there is an accompanying federal responsibility to at least let the state and local officials know that these decisions are being shifted to them and to make certain they have some semblance of resources with which to implement those decisions.

The general conception controlling the shift away from federal responsibility totally ignores the fact that there is no consistency within the fifty states on the significance of the problems involved or the ways to solve them. Over the past 25 years, the federal government has succeeded in joining the fifty states in attacking problems of regional and national interest, but the 1974 budget seems bound to separate them once again. It bears repeating that there are only nineteen schools of public health and eighteen schools of veterinary medicine in the country. To suggest that a handful of states shall now assume total responsibility for providing manpower in such particular areas is to ignore the fact that the states form a union in commitment to service to the total public of the nation. No one of the states should be expected to make judgments and financial commitments to solve problems that are regional or national in scope; the union provides for shared responsibilities in attacking and hopefully solving these problems. The abandonment by the union of this obligation, resorting to village hall testimony on what we will do and what we will not do, assures no minimal level of national commitment to anything.

It is interesting to note that nothing in the administrative budget suggests that our national defense shall be based on such considerations. But the administration suggests that many considerations related to education and the professions can simply be decided by the states, and even sub-units of the states, and that there ought to be a marked decrease in any federal efforts in these areas. If there is any hope of reversing this sudden shift to government, by presidential edict, our governors, mayors, local units of government, educational leaders, lay political leaders, and concerned citizens must continue to declare themselves in every possible way at every possible point. Clearly this is not the time for comfortable (or uncomfortable) silence.

2. MORE DETAILS AVAILABLE ON 1974 BUDGET RECOMMENDATIONS AS WELL AS SUPPLEMENTAL REQUESTS

The Administration included in its 1974 Budget Recommendation a Supplemental Appropriations request to complete higher education funding for fiscal 1973. The most noteworthy aspect of the Supplemental Request is the suggestion it makes to Congress to repeal parts of an appropriations measure approved by Congress and signed into law by the President last October.

The October appropriations bill which was passed by both houses and signed into law, appropriated \$10 million for Bankhead-Jones Land-Grant Teaching Funds, \$25 million for Veterans Cost-of-education Institutional Allowances, and \$15 million for Title I Community Service Programs. In the original 1973 budget, only the \$5.7 million for Community Services Programs had been requested by the Administration and that is the only amount of money that has been released by OMB. The rest of these funds have been impounded in spite of the fact that all three programs are formula programs which, presumably, cannot be legally withheld administratively. The budget now proposes all three of these programs for "rescission" back to the original budget request—that is, back to the \$5.7 million for Community Services and to zero for the other programs.

What has happened then, clearly, is that the President has asked Congress to repeal all the provisions of the October Supplemental that exceeded his 1973 appropriations request even though he signed the bill into law.

The new Supplemental budget request totals \$1,119.5 million for higher education. The following tables indicate the 1972 comparable appropriations, the 1973 revised estimate as well as the 1974 Budget Recommendation.

	1972 comparable approp- riation	1973 revised estimate	1974 budget request
Higher education:			
1. Student assistance:			
(a) Grants and work-study:			
(1) Basic opportunity grants.....		622,000	959,000
(2) Supplementary opportunity grants.....	220,300		
(3) Work study.....	426,600	250,000	250,000
Subtotal.....	646,900	872,000	1,209,000
(b) Cooperative education.....	1,700	10,750	10,750
(c) Subsidized insured loans:			
(1) Interest on insured loans.....	196,600	245,000	310,000
(2) Reserve fund advances.....			
Subtotal.....	196,600	245,000	310,000
(d) Direct loans:			
(1) Federal Capital contributions.....	309,600	286,000	
(2) Loans to institutions.....	1,984	1,970	
(3) Teacher cancellations.....	5,000	5,000	5,000
Subtotal.....	316,584	292,970	5,000
Total.....	1,161,784	1,413,750	1,534,750
2. Special programs for the disadvantaged:			
(a) Talent Search.....	6,000	6,000	6,000
(b) Special services in college.....	15,000	26,000	26,000
(c) Upward Bound.....	35,000	38,331	38,331
Total.....	56,000	70,331	70,331
3. Institutional assistance:			
(a) Strengthening developing institutions.....			
	51,850	99,992	99,992
(b) Construction:			
(1) Subsidized loans.....	29,010	14,069	31,425
(2) Grants.....	43,000		
Subtotal.....	72,010	14,069	31,425
(c) Language training and area studies.....	15,300	2,360	1,360
(d) University community services.....	9,500	5,700	

	1972 comparable appropriation	1973 revised estimate	1974 budget request
Higher education—Continued			
3. Institutional assistance—Continued			
(e) Aid to land-grant colleges:			
(1) Annual appropriation.....	10,000	6,009	2,700
(2) Lump-sum payment—Virgin Islands and Guam.....	2,600	2,700	2,700
(3) Permanent appropriation.....			
Subtotal.....	12,600	8,700	2,700
(f) State post secondary education commissions.....	6,000	3,000	3,000
Total.....	1,167,260	133,821	138,477
4. College personnel development:			
(a) College teacher fellowships.....	26,910	20,000	5,806
(b) Fellowships for disadvantaged.....		500	1,250
Subtotal.....	26,910	20,500	7,056
Total.....	1,411,954	1,645,372	1,750,614
Outlays.....	1,287,140	1,337,340	1,501,790

The Supplemental Budget Request contains the following items:

Basic Opportunity Grants—\$622 million, which will provide only slightly more than one-half the amount estimated to be necessary to fully fund all eligible entitlements.

Work-study programs—\$250 million, \$176 million less than the 1972 appropriation and \$110 less than the national associations of education had requested last year to carry out the program at an "adequate" level.

Co-operative education—\$10.75 million, the full amount authorized, none of which had been recommended by the national educational associations.

Interest on insured loans—\$30 million, bringing the total for 1973 to \$245 million (\$215 million was appropriated in the October Supplemental).

Special programs for the disadvantaged—\$70.3 million, \$29.7 million short of the \$100 million authorization, but equal to the amount recommended by the educational associations and \$14.7 million more than the 1972 appropriation.

Strengthening developing institutions—\$100 million, \$20 million short of authorization but almost double the 1972 level.

Construction interest subsidies—\$14 million to meet commitments.

Language and area studies—\$2.4 million, down from \$15.3 million in 1972 in the first step of a two-year phase-out. Authorization is \$50 million, and the educational associations had recommended \$25 million.

College teacher fellowships—\$20 million in the first step of a proposed two-year phase-out.

The October appropriations bill had funded NDSL Loans at \$293 million, Ellender Fellowship Grants at \$500,000, Community Services Programs at \$15 million, State Facilities Commissions at \$3 million, Bankhead-Jones at \$10 million, Morrill Endowment for Guam and the Virgin Islands at \$6 million, Post-secondary Innovation at \$10 million and Veterans Cost-of-education Allowance at \$25 million.

Programs which have been strongly supported by the higher education community but which have still received no recommended funding are the Work-Study community service, State Student Incentive Grants, Institutional student-following assistance, Academic Facilities Grants and Direct Loans, Graduate Improvement Grants, NDEA Graduate Fellowships, Undergraduate Instructional Equipment, Clinical Experience in Law, Public Service Fellowships, Community College and Occupational Education, Ethnic Studies, and 1202 State Planning Commissions.

3. CONTINUING RESOLUTION FOR HEW AND LABOR FUNDING PASSED BY HOUSE

The House of Representatives voted February 21, 311 to 73, to continue funding the Departments of Labor and HEW at a level approximately \$1.2 billion above the President's initial request. This is another of the continuing resolutions under which the two departments have been funded since last July, and which would take the two departments through the end of the current fiscal year

in terms of funding. The prior continuing resolution would have expired on February 28.

It was decided by the House Appropriations Committee that the continuing resolution should be the route to provide appropriations for the two departments instead of trying to develop a third appropriation bill for Labor and HEW. As reported in this newsletter in earlier issues, the President has vetoed two prior HEW and Labor appropriations bills. It appears most unlikely that an acceptable appropriations bill could be developed by Congress and accepted by and approved by the President.

Under the continuing resolution, Labor and HEW programs may be funded at the lower of the levels provided in the House or Senate versions of the appropriation bill which Congress passed last June. Since that bill did not contain funds for higher education programs, most of these have been funded at the 1972 level. However, a supplemental appropriation was passed as reported in this newsletter last October providing \$595 million for higher education. The Administration in January requested another supplemental appropriation of \$1.1 billion for higher education for the current fiscal year (details in this newsletter). The House appropriation subcommittee on Labor-HEW has begun hearings on the Administration's supplemental request.

4. IMPOUNDED FUNDS AND RESCISSIONS

By the end of the first week in February the Office of Management and Budget had formally notified Congress that over \$8.7 billion in appropriated funds were being held in reserve, in other words impounded.

In addition to the impounded funds, OMB has listed several "rescissions" of 1973 appropriations which have been proposed to Congress in the 1974 budget. "These amounts have been apportioned to the agencies pending Congressional action," that is, "if they have not been placed in reserve," OMB stated. In this list are funds that HEW and the Department of Labor, and of the \$99 million proposed for rescission at HEW. \$44.3 million is earmarked for higher education programs, the \$18 million for Indian education, \$2.8 million for library resources, and \$11.8 million for educational renewal. The Department of Labor's total of rescission funds is \$283 million and it's listed under the manpower training services.

\$2.9 billion is being held at the Department of Transportation, \$1.9 billion at the Department of Defense, and \$1.5 billion at the Department of Agriculture. Of the \$35 million impounded at HEW, \$11.8 million is listed under higher education programs. Another \$62.4 million is impounded at the National Science Foundation. Of the funds impounded at the Department of Agriculture, OMB listed \$8.5 million for the Agriculture Research Service, \$3.5 million for the Cooperative State Research Service, \$5 million for the Extension Service, and \$6.000 of the National Agriculture Library.

5. EFFORT BEGINS TO FORCE ACTION ON APPROVED EDUCATION PROGRAMS

The National Association of Collegiate Veterans has filed a suit seeking to force the Administration to spend the Veterans Cost-of-Instruction Funds appropriated by Congress during the last session. Congress appropriated and the President signed a bill for \$25 million to go to colleges and universities that increase their enrollment of veterans.

The Administration has requested that the funds appropriated last year not be spent and has also recommended that no funds for the program be appropriated for fiscal 1974. The suit charges that "the Office of Education has failed to take even the first step toward the laws implementation—the issuance of guidelines to aid colleges in preparing and submitting applications for funds under the program."

The suit asked that the Commissioner of Education be compelled to issue the necessary guidelines within fifteen days and that his office begin accepting and reviewing applications for such payments and dispensing funds to qualified applicants.

President of the National Association of Collegiate Veterans has stated that this suit "is the initial action to regain programs and appropriations passed in the 92nd Congress, but, to date, not initiated or released because of an administrative impoundment of appropriated funds."

6. DEPUTY COMMISSIONER COSAND RESIGNS

Joseph P. Cosand resigned on February 16 as deputy commissioner for higher education at the United States Office of Education. Mr. Cosand will return to the University of Michigan where he is professor of education and director to the Center for Higher Education.

7. CONGRESSIONAL COMMITTEE MEMBERSHIP LISTS

The following are key Congressional committees and the membership list as well as key subcommittees of the parent committees which deal with legislation of particular interest to higher education.

CONGRESSIONAL COMMITTEE MEMBERSHIP

Nearly all Committee assignments for the 93rd Congress have now been made. Listed below are the members of the House and Senate Committees and Subcommittees which deal with legislation of particular interest to the higher education community.

U.S. HOUSE OF REPRESENTATIVES

Committee on Appropriations

Democrats: George H. Mahon, Tex., chairman; Jamie L. Whitten, Miss.; John J. Rooney, N.Y.; Robert L. F. Sikes, Fla.; Otto E. Passman, La.; Joe L. Evins, Tenn.; Edward P. Boland, Mass.; William H. Natcher, Ky.; Daniel J. Flood, Pa.; Tom Steed, Okla.; George E. Shipley, Ill.; John M. Slack, Jr., W. Va.; John J. Flynt, Jr., Ga.; Neal Smith, Iowa; Robert N. Giaimo, Conn.; Julia Butler Hansen, Wash.; Joseph P. Addabbo, N.Y.; John J. McFall, Calif.; Edward J. Patten, N.J.; Clarence D. Long, Md.; Sidney R. Yates, Ill.; Bob Casey, Tex.; Frank E. Evans, Colo.; David R. Obey, Wis.; Edward R. Roybal, Calif.; Louis Stokes, Ohio; J. Edward Roush, Ind.; K. Gunn McKay, Utah; Tom Bevill, Ala.; Edith Green, Ore.; Robert O. Tiernan, R.I.; Bill Chappell, Jr., Fla.; Bill D. Burlison, Mo.

Republicans: Elford A. Cederberg, Mich.; John J. Rhodes, Ariz.; William E. Minshall, Ohio; Robert H. Michel, Ill.; Silvio O. Conte, Mass.; Glenn R. Davis, Wis.; Howard W. Robison, N.Y.; Garner E. Shriver, Kan.; Joseph M. McDade, Pa.; Mark Andrews, N.D.; Louis C. Wyman, N.H.; Burt L. Talcott, Calif.; Donald W. Riegle, Jr., Mich.; Wendell Wyatt, Ore.; Jack Edwards, Ala.; Del Clawson, Calif.; William J. Scherle, Iowa; Robert C. McEwen, N.Y.; John T. Myers, Ind.; J. Kenneth Robinson, Va.; Clarence E. Miller, Ohio; Earl B. Ruth, N.C.; and Victor V. Veysey, Calif.

Subcommittee on Labor-HEW Appropriations—Democrats: Flood, chairman; Natcher, Smith, Casey, Patten, Obey, and Green. Republicans: Michel, Shriver, Conte, and Robinson.

Subcommittee on HUD, Space and Science Appropriations—Democrats: Boland, chairman; Evins, Shipley, Giaimo, Tiernan, and Chappell. Republicans: Talcott, McDade, Scherle, and Ruth.

Committee on Education and Labor

Democrats: Carl D. Perkins, Ky., chairman; Frank Thompson, Jr., N.J.; John H. Dent, Pa.; Dominick V. Daniels, N.J.; John Brademas, Ind.; James G. O'Hara, Mich.; Augustus F. Hawkins, Calif.; William D. Ford, Mich.; Patsy T. Mink, Hawaii; Lloyd Meeds, Wash.; Phillip Burton, Calif.; Joseph M. Gaydos, Pa.; William Clay, Mo.; Shirley Chisholm, N.Y.; Mario Biaggi, N.Y.; Ella T. Grasso, Conn.; Romano L. Mazzoli, Ky.; Herman Badillo, N.Y.; Ike F. Andrews, N.C.; William Lehman, Fla.; and Jaime Benitez, Puerto Rico.

Republicans: Albert H. Quie, Minn.; John M. Ashbrook, Ohio; Alphonzo Bell, Calif.; John N. Erlenborn, Ill.; John Dellenback, Ore.; Marvin L. Esch, Mich.; Edwin D. Eshleman, Pa.; William A. Steiger, Wis.; Earl F. Landgrebe, Ind.; Orval Hansen, Idaho; Edwin D. Forsythe, N.J.; Jack F. Kemp, N.Y.; Peter A. Peyser, N.Y.; David Towell, Nev.; Ronald A. Sarasin, Conn.; and Robert J. Huber, Mich.

General Subcommittee on Education (elementary-secondary education)—Democrats: Perkins, chairman; Meeds, Ford, Hawkins, Mink, Chisholm, Biaggi, Mazzoli, Badillo, Lehman, and Andrews. Republicans: Bell, Ashbrook, Forsythe, Peyser, Steiger, and Towell.

Select Subcommittee on Education (special programs)—Democrats: Brademas, chairman; Mink, Meeds, Chisholm, Grasso, Mazzoli, Badillo, and Lehman. Republicans: Eshleman, Landgrebe, Hansen, Peyser, and Sarasin.

Special Subcommittee on Education (higher education)—Democrats: O'Hara, chairman; Biaggi, Burton, Brademas, Gaydos, Andrews, Lehman, and Benitez. Republicans: Dellenback, Erlenborn, Esch, Kemp, and Huber.

Committee on Science and Astronautics

Democrats: Olin E. Teague, Tex., chairman; Ken Hechler, W.Va.; John W. Davis, Ga.; Thomas N. Downing, Va.; Don Fuqua, Fla.; James W. Symington, Mo.; Richard T. Hanna, Calif.; Walter Flowers, Ala.; Robert A. Roe, N.J.; William R. Cotter, Conn.; Mike McCormack, Wash.; Bob Bergland, Minn.; J. J. Pickle, Tex.; George E. Brown, Jr., Calif.; Dale Milford, Tex.; Ray Thornton, Ark.; and Bill Gunter, Fla.

Republicans: Charles A. Mosher, Ohio; Alphonzo Bell, Calif.; John W. Wydler, N.Y.; Larry Winn, Jr., Kan.; Louis Frey, Jr., Fla.; Barry M. Goldwater, Jr., Calif.; Marvin L. Esch, Mich.; Lawrence Coughlin, Pa.; John N. Happy Camp, Okla.; John B. Conlan, Ariz.; Stanford R. Parris, Va.; Paul W. Cronin, Mass.; and James G. Martin, N.C.

Committee on Ways and Means

Democrats: Wilbur D. Mills, Ark., chairman; Al Ullman, Ore.; James A. Burke, Mass.; Martha W. Griffiths, Mich.; Dan Rostenkowski, Ill.; Phil M. Landrum, Ga.; Charles A. Vanik, Ohio; Richard H. Fulton, Tenn.; Omar Burleson, Tex.; James G. Corman, Calif.; William J. Green, Pa.; Sam M. Gibbons, Fla.; Hugh L. Carey, N.Y.; Joe D. Waggoner, Jr., La.; and Joseph E. Karth, Minn.

Republicans: Herman T. Schneebeli, Pa.; Harold B. Collier, Ill.; Joel T. Broyhill, Va.; Barber B. Conable, Jr., N.Y.; Charles E. Chamberlain, Mich.; Jerry L. Pettis, Calif.; John J. Duncan, Tenn.; Donald G. Brotzman, Colo.; Donald D. Clancy, Ohio; and Bill Archer, Tex.

U.S. SENATE

Committee on Appropriations

Democrats: John L. McClellan, Ark., chairman; Warren G. Magnuson, Wash.; John C. Stennis, Miss.; John O. Pastore, R.I.; Alan Bible, Nev.; Robert C. Byrd, W. Va.; Gale W. McGee, Wyo.; Mike Mansfield, Mont.; William Proxmire, Wis.; Joseph M. Montoya, N.M.; Daniel K. Inouye, Hawaii; Ernest F. Hollings, S.C.; Birch Bayh, Ind.; Thomas F. Eagleton, Mo.; and Lawton Chiles, Fla.

Republicans: Milton R. Young, N.D.; Roman L. Hruska, Neb.; Norris Cotton, N.H.; Clifford P. Case, N.J.; Hiram L. Fong, Hawaii; Edward W. Brooke, Mass.; Mark O. Hatfield, Ore.; Ted Stevens, Alaska; Charles McC. Mathias, Jr., Md.; Richard S. Schweiker, Pa.; and Henry Bellmon, Okla.

Subcommittee on Labor-HEW Appropriations—Democrats: Magnuson, chairman; Stennis, Bible, Byrd, Proxmire, Montoya, Hollings, and Eagleton. Republicans: Cotton, Case, Fong, Brooke Stevens and Schweiker.

Subcommittee on HUD, Space, Science, Veterans Appropriations—Democrats: Proxmire, chairman; Pastore, Stennis, Mansfield, Inouye, Bayh, and Chiles. Republicans: Mathias, Case, Fong, Brooke, and Stevens.

Committee on Labor and Public Welfare

Democrats: Harrison A. Williams, Jr., N.J., chairman; Jennings Randolph, W. Va.; Claiborne Pell, R.I.; Edward M. Kennedy, Mass.; Gaylord Nelson, Wis.; Walter F. Mondale, Minn.; Thomas F. Eagleton, Mo.; Alan Cranston, Calif.; Harold E. Hughes, Iowa; and William D. Hathaway, Maine.

Republicans: Jacob K. Javits, N.Y.; Peter H. Dominick, Colo.; Richard S. Schweiker, Pa.; Robert Taft, Jr., Ohio; J. Glenn Beall, Md.; and Robert T. Stafford, Vt.

Subcommittee on Education—Democrats: Pell, chairman; Randolph, Williams, Kennedy, Mondale, Eagleton, Cranston, and Hathaway. Republicans: Javits, Dominick, Schweiker, Beall, and Stafford.

Subcommittee on the National Science Foundation—Democrats: Kennedy, chairman; Pell, Eagleton, Cranston, and Mondale. Republicans: Dominick and Stafford.

Committee on Finance

Democrats: Russell B. Long, La., chairman; Herman E. Talmadge, Ga.; Vance Hartke, Ind.; J. W. Fulbright, Ark.; Abraham Ribicoff, Conn.; Harry F. Byrd, Jr., Va.; Gaylord Nelson, Wis.; Walter F. Mondale, Minn.; Mike Gravel, Alaska; and Lloyd Bentsen, Tex.

Republicans: Wallace F. Bennett, Utah; Carl T. Curtis, Neb.; Paul J. Fannin, Ariz.; Clifford P. Hansen, Wyo.; Robert Dole, Kan.; Bob Packwood, Ore.; and William V. Roth, Jr., Del.

8. USOE DECIDES NOT TO ESTABLISH "1202 COMMISSIONS"

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,
OFFICE OF EDUCATION,
Washington, D.C., March 7, 1973.

DEAR COLLEAGUE: The purpose of this letter is to bring you up to date on recent developments concerning the State Postsecondary Education Commissions authorized under Section 1202 of the Higher Education Act, as amended.

We received almost 500 substantive responses to our invitation of December 4 for interested parties to comment on the *Preliminary Report* from the Task Force on State Postsecondary Education Commissions. These comments were analyzed by the Task Force during the period of December 18-January 12, and a *Revised Report*, including preliminary draft regulations, was transmitted from the Task Force to this office on February 1.

The Education Amendments of 1972 had envisioned major functions and responsibilities for the State Postsecondary Education Commissions in connection with the new authorizations for Comprehensive Statewide Planning (HEA Section 1203), Community College Education (HEA Title X, Part A), Occupational Education (HEA Title X, Part B), and Improvement of Postsecondary Education (GEPA Section 404). In addition, the law had authorized the Section 1202 State Commissions to serve as State administrative/planning Commissions for existing programs in Community Services and Continuing Education (HEA Title I), Equipment for Undergraduate Instruction (HEA Title VI), and Grants for Construction of Undergraduate Academic Facilities (HEA Title VII).

However, the Federal Budget for FY 74 provides almost no functions for the Section 1202 State Commissions to perform. The community service, instructional equipment and academic facilities grant programs are scheduled to be terminated, and no funding is provided to implement any of the community college or occupational education authorities. Furthermore, while the Budget does provide \$15 million to support projects and programs for improvement of postsecondary education, it is our opinion that the implementation of the improvement of postsecondary education authority alone does not warrant the establishment of the Commissions at this time.

Under the circumstances, it has been determined that we should indefinitely defer our plans for distribution of the Revised Report of the Task Force, and suspend all activity relative to establishment of the Section 1202 State Commissions.

We want to express our thanks to all of you who have made suggestions and comments concerning the Section 1202 State Commissions, and to assure you that your thoughts have been taken seriously into account in the revisions to date.

Sincerely,

JOHN OTTINA,
Acting U.S. Commissioner of Education.

EDITOR'S NOTE: We have no information to indicate what might happen if Congress successfully reinstates the appropriations to those programs and does not repeal Section 1202. Under existing law, the reinstated appropriations would be channeled through "1202" commissions which, presumably, will not exist.

FEDERAL FUNDING POLICIES AND THE COLLEGE OF LIBERAL ARTS AT THE UNIVERSITY OF MINNESOTA

Federal funding has been and continues to be a very important source of support for the various missions of the College of Liberal Arts.

The state-support budget for the College in the fiscal year ending June 30, 1973, is \$14,262,019.

In addition, the College has the following Federal funds for the same period :

Research grants-----	\$2, 000, 000
Training grants-----	1, 070, 000
Work study-----	230, 000
EEA-----	90, 000
Total -----	3, 390, 000

This is over 20% of the state-support budget :

Given the best information we can secure relating to changes in Federal funding, it is estimated that approximately \$1,000,000—almost a third—of the \$3,390,000 will not be available next year—and much of this in critical instructional and public service areas.

A sampling of a number of CLA departments and schools indicates that

. . . Nine senior faculty positions will require support from other sources

Nine senior faculty positions will require support from other sources

Nineteen junior faculty and nine civil service personnel will be similarly affected

Ninety-five graduate student training stipends (including dependency support) will be eliminated

Five Community Program Assistant positions will be wiped out. These are critical with respect to our Ethnic Study Departments.

In closing, it is necessary to note that it is not only the loss of funds that is critical. As important is the fact that, given the gross uncertainties about Federal funding, little if any, lead time has been provided to seek to accommodate to these catastrophic changes.

UNIVERSITY OF MINNESOTA HEALTH SCIENCES

BACKGROUND

The need to develop facilities to accommodate increasingly larger numbers of medical and other Health Sciences students was established formally in 1966, when the shortage of physicians in Minnesota and the Upper Midwest was documented in the Louis W. and Maud Hill Family Foundation study, "Health Manpower for the Upper Midwest". Commissioned by the Regents of the University of Minnesota, it provided the basis for a recommendation by a Citizens Advisory Commission that the Medical School increase its entering class size by the mid-'70's to at least 200 students.

Consequently, planning of facilities to accommodate these larger number of students culminated in the Health Sciences Development Program, an interdisciplinary, integrated program for Health Sciences facilities. The first of these facilities, Unit A, was approved by the National Institutes of Health (NIH) in 1969-1970. On the basis of this approval, the Medical School was committed to increase its entering class size to 220 students by 1976-1977, three years after the completion of Unit A. At the same time, NIH reviewed the entire Development Program and established the eligibility of Unit B/C, the second unit of the Program, based upon the same Medical School commitment to increase its entering class size to 220 students.

Unit A consists primarily of a new facility for the School of Dentistry and basic sciences interdisciplinary teaching laboratories for the Medical School. The total project cost of Unit A is \$46 million; it will be completed around January 1974.

In 1970, a separate application for Unit B/C was submitted to NIH. The total cost of this building was approximately \$52 million of which \$30 million was from federal funds and \$1.6 million from private funds. The application was approved, but not funded, pending receipt of state matching funds scheduled for 1973.

The B/C Unit primarily is to contain Medical School facilities, including an ambulatory clinic, a Learning Resources Center, teaching classrooms, teaching faculty offices and laboratories, and some Dental Clinic facilities.

Responding to nationally expressed needs to produce more physicians, the faculty in 1969 agreed to participate in the Physicians Augmentation Program (PAP) with the then reasonable assurance that the facilities contained in Units A and B/C, necessary to house the increased class sizes under PAP, would be forthcoming. Thus, in September 1970, after approval of Unit A and establishment of eligibility of Unit B/C had been obtained. 227 students were enrolled

in the Medical School. This entering class size of 227 exceeded the original commitment to increase the first year's class size to 220, based upon the funding of Unit A, both in its numbers and in its early timing. The major increase of 60 entering students constituted the largest increment by a single medical school under PAP and accounted for approximately seven percent of the total increase nationally in the entering classes of fall 1970.

With the passage of the 1971 Health Manpower Training Act, all pending construction grants including the Unit B/C application were ruled inactive and void by NIH. Thus, the Medical School was in the position of having enrolled increasingly larger numbers of students with subsequent loss of reasonable assurance that facilities, absolutely essential to accommodate these students, would become a reality. In addition, a further commitment to increase the entering class size to 239 in 1972-1973 became mandatory in order for the Medical School to establish eligibility for participation in the Federal Capitation Grant Program.

Therefore, in 1972, because of the urgency of need to obtain the very minimum appropriate facilities in view of the relatively modest federal budget for construction of facilities, the faculty drastically reduced the Unit B/C program to be considered for federal participation. They submitted a revised grant request to NIH. The revised project was estimated to cost \$33 million in total and contained finished space consisting of the ambulatory care clinic, the Learning Resources Center, classrooms, and a small amount of research facilities. The grant was not approved since the request was based upon the contention that the quality of Medical School education would be seriously jeopardized without the new facilities and not upon a further commitment to increase the Medical School class above 239 entering students.

Thus, the Medical School, in responding early to the health manpower shortage in this country by markedly increasing its production of physicians, remains in dire need of new facilities to accommodate a total medical student population of approximately 1,000 by 1975-76. These numbers will have significantly exceeded commitments made for previously, approved, but unfunded, physical facilities.

At present, a building request for \$14 million for Unit B/C rests with the Minnesota State Legislature and has reasonable assurance of approval and funding pending receipt of appropriate matching funds from other than state resources. The State Legislative Building Commission, on December 26, 1972, recommended to the Legislature approval and funding of the state portion of the project.

	Previous State allocations	1973 State request	Estimate Federal allocation	Private donations	1975 State request (estimated)	Total estimated cost
Unit A.....	\$20,622,968	\$3,000,000	\$22,394,027			\$46,016,995
Unit B/C.....	1,100,000	14,000,000	12,898,147	\$1,650,000	\$3,489,175	33,137,322

¹ Funded in December 1970.

STATEMENT BY JAMES E. MOSLEY, PROJECT DIRECTOR, PILOT CITY REGIONAL CENTER

This statement is made in behalf of the entire staff of the Pilot City Regional Center and the resident and agency Board of Directors of the Pilot City Program. We are in direct opposition to the recent proposed changes to the Service Programs for Families and Children and for Aged, Blind, or Disabled by the Department of Health, Education and Welfare. We also oppose the President's budget to the Congress on January 29th which specifically limits social service expenditures from 2.6 billion dollars in 1973 to 2 billion in 1974.

We feel that the President's \$2 billion budget for social service programs will be established by the enactment of the proposed social service regulations to become effective April 1, 1973. Because of the effect that both the regulation changes and the 1974 budget will have upon those who receive categorical assistance both must be rejected.

There are more than seven thousand residents and members of their families living in the Pilot City area and North Minneapolis who receive categorical public assistance. There are more than five thousand families who receive

assistance from Aid to Families of Dependent Children. Forty-three or more citizens who are legally blind are receiving financial assistance. Over 548 residents are receiving assistance because they are physically disabled. More than 825 citizens are recipients of Old Age Assistance and 625 members of this community are eligible for medical assistance.

We believe that the proposed changes to the Social Service Programs will cause additional hardships and that the changes are inhumane and reflect insensitivity toward these citizens. They, the changes, would require far greater bureaucratic "red tape" in providing services than currently exists. They place extreme limits upon the types of services available to this population. They place severe qualifications for determination of eligibility and the redetermination of eligibility. The changes would restrict the use of matching funds for federal financial participation which has the effect of reducing the impact of needed services. And lastly, the proposed changes reduces the amount of funds already appropriated by Congress and curtails the use of these funds by the communities who are in most need of them.

We urge the Congress to at least maintain the level of \$2.5 billion for social services as established by Public Law 92-512, Title III, enacted October 1972, and to reject the proposed amendments to the Social Service regulations published in the Federal Register February 16, 1973.

We also urge the Congress to reject the President's budget limiting social services to 2 billion dollars for 1974.

In addition, we wholeheartedly support the bi-partisan opposition to the proposed social service regulations and submit this statement to further strengthen that opposition.

STATEMENT BY MRS. LEOLA JACKSON, CONSUMER, PILOT CITY REGIONAL CENTER

As a resident of the Minneapolis North Side, as a past Director of Day Care, a former employee of the Pilot City Regional Center, a mother of three children, but especially as a consumer of North Side Social Services provided by various agencies in North Minneapolis, I most strongly protest the proposed Federal guidelines published on February 16, 1973.

I voice this protest and concern for myself, my children and other consumers of those same services, for the following reasons:

(1) The effect of the proposed Federal regulations on the Pilot City Regional Center program will either diminish the program's effectiveness or because of the public match through the Mpls. Public Schools, may cause the program to be completely discontinued.

I protest both possibilities because I myself have made use of the PCRC services and I have on numerous occasions directed many needy persons of the Northside to make use of such services as the Emergency Food Shelf, Emergency Housing, Tool & Lending, Assistance in Referrals to other service agencies, the Employment Center, Homemaker Service for Adults and also Social Services to the Elderly.

(2) The effect of the proposed Federal Register on Day Care Programs as in the case of Pilot City Regional Center, will either reduce their effectiveness or eliminate them altogether. If these programs are discontinued it will force many mothers who are now working to quit their present jobs and go onto the welfare rolls. I protest this as regressivism promoted by the highest office in the land. I protest the pre-supposition of the new proposed Federal guidelines i.e. that the war on poverty is in fact a "dismal failure".

Having been a consumer of day care services, having directed a day care center myself, I know that the Day Care Center I directed and the other day care centers of the Northside, with which I was in constant contact, were not a "dismal failure". I cannot state the number of single parents who were able to go off welfare and become self sufficient but I do know that over the past 2½ years the number in effect is very large. The discontinuance of day care to those single parents, both men and women, will force them either back on the welfare rolls or cause them to enroll.

This I think is a tragedy, and if it actually comes to be I fear what will happen to the Northside of Minneapolis.

(3) I also protest the overall cutback in the 1974 Federal Budget allotment for social service programs.

URBAN/WEST CENTRAL BRANCH,
 YOUNG MEN'S CHRISTIAN ASSOCIATION
 OF METROPOLITAN MINNEAPOLIS,
 Minneapolis, Minn., March 15, 1973.

HON. HUBERT H. HUMPHREY,
 Senate Office Building,
 Washington, D.C.

DEAR SENATOR HUMPHREY: I am writing in support of the Neighborhood Youth Corps Program. I firmly believe that to discontinue funding of this program would be doing a great harm to the potentiality of needy youth in this country.

Approximately 400 Minneapolis youth, referred from Hennepin County Juvenile Court, were employed last summer through the Neighborhood Youth Corps. Many people in the city feel that these projects were responsible for the quiet summer here in Minneapolis.

Southside probation officers from Hennepin County have stated that their case loads and the amount of juvenile delinquency during the summer was directly decreased because of the Detached Worker working daily with NYC youth.

The NYC projects offer a continuum factor to the Detached Worker Program. This helps us greatly in meeting our goal of decreasing negative behavior on the part of Minneapolis youth. I expect to see the Minneapolis street problems greatly increased this summer if the NYC program is not in operation. The Detached Workers urge you to continue funding for the NYC program in Minneapolis and the nation.

Sincerely,

JIM FIELD,
 Director, Detached Worker Program.

VETERANS' ADMINISTRATION HOSPITAL,
 Minneapolis, Minn., March 16, 1973.

Mr. WAYNE SATHER,
 Project Administrator, NYC In School Program,
 Minneapolis, Minn.

DEAR MR. SATHER: It is a pleasure for me to provide an evaluation of the Neighborhood Youth Corps program as we have known it at this hospital. Our experience goes back to 1965 and encompasses some fifteen-hundred youngsters who, we hope, have been provided meaningful work experience.

Probably in any large organization, but particularly in a service organization such as a large hospital, there is plenty of unfinished work and plenty more that gets only a "lick and a pat". This was certainly the case at this hospital when we took on the first group of N.Y.C. aids in July 1965.

Since that time, because of the "blue smockers" handicapped patients are being better assisted in their eating and other activities. Busy nurses on the evening and week-end shifts have been able to devote more of their time to professional nursing care because Youth Corps Aids are answering their phones, transcribing doctors' orders and keeping patients' files current. Important research involving use of patients' medical records has moved at an accelerated pace because Youth Corps Aids have been getting the records out and back into the files at a rate we could never before support. X-rays are being developed faster and getting to the doctors who need them sooner because Youth Corps Aids are answering telephones, filing X-rays, etc., leaving the technician free to devote his skills to his primary job. Visitors and patients have been better served because Youth Corps Aids have been available to direct them and to help them get to their destination in the hospital.

And so it has gone throughout the hospital for the past seven years. The Aids have worked in nearly all departments; that they have provided useful service and have been engaged in meaningful work experience is indicated by the fact that we consistently have had more requests for their services than we have been able to fill.

The advantages of the program to the hospital have been three-fold. First, a very considerable amount of work that probably would never have gotten done—such as renovating and painting the three quarters mile of iron fence and the excavation of 10,000 square feet of badly needed space under building 49—has been accomplished, and on-going services in the hospital have been materially improved. Secondly, the youngsters have been a stimulating challenge

to our staff, including providing the staff with a better insight into both the problems and the potential of these young people. Third, many of the youngsters have established friendships with the patients, a positive therapeutic factor for the older patients in particular.

Though we have had as many as 130 youngsters assigned here at a time, our problems with the Aids have been minimal, certainly no greater than you would expect from the same size group of regular employees. I think the success of the program has been primarily due to two factors, to wit: (a) Assuring that the Aid has a worthwhile job to do. Aids are assigned only upon request of a supervisor and after a job description has been established and (b) the excellent job of placement and supervision that has been provided by the Counselors assigned by your office.

Sincerely yours,

MACBAIN SMITH,
Chief, Personnel Service.

PILLSBURY WAITE CULTURAL ARTS CENTER,
Minneapolis, Minn., March 16, 1973.

HON. DONALD FRASER,
House of Representatives,
Longworth House Office Building,
Washington, D.C.

DEAR MR. FRASER: This is written in protest to the severe cutbacks of federal funds in the Social Services, including the Neighborhood Youth Corps (in-school) program.

We have had NYC students in the Pillsbury-Waite Cultural Arts Center programs and activities for the past four years. Without a doubt, the NYC concept:

- (1) Keeps highly potential drop-out youths in school.
- (2) Gives these same youths badly needed skills in work habits, attitudes and leadership.
- (3) Gives them the opportunity to develop special talents which will help them become self-sufficient and contributing citizens in the community in which they live.

The agency is also the benefactor of the services and talents that these young persons give.

I ask you to do what you can to support the continuance of the funds of this proven program.

Thank you,

ISORA IVERSON,
Director.

EAST SIDE NEIGHBORHOOD SERVICE,
Minneapolis, Minn., March 16, 1973.

HON. WALTER F. MONDALE,
U.S. Senate,
Old Senate Office Building,
Washington, D.C.

DEAR SENATOR MONDALE: I am taking this opportunity to comment on the proposed "cut-in-funding" of the Neighborhood Youth Corps program after June 1.

There can be little doubt that the proposed "cut" will have devastating consequences in terms of our summer programs.

Last year, approximately 50 N.Y.C. youngsters were employed as Program Aides, providing the assistance needed for us to operate quality programs. We dread to think what will happen to our summer programs with the elimination of these Program Aides. We foresee a summer of restless youth, with little or no opportunity for employment, looking for "ways to make money" and "things to do." More and bigger problems with our youth can only be anticipated.

We strongly seek your support to urge the Administration to restore the funding of N.Y.C. Program. Such an important and worthwhile program for our youth *must be* continued.

Thank you for your kind consideration.

Sincerely,

JOSEPH D. HOLEWA,
Executive Director.

COMMUNITY HEALTH AND WELFARE COUNCIL,
Minneapolis, Minn., March 16, 1973.

HON. DONALD FRASER,
*Congressman, House of Representatives,
 Longworth Building, Washington, D.C.*

DEAR CONGRESSMAN FRASER: I am writing to express my deepest concern on behalf of myself and the Board Members of the Community and Welfare Council of Hennepin County, Inc. over the proposed cutback in funds for the summer Neighborhood Youth Corps. I know that you have strongly supported our efforts on behalf of youth in Minneapolis.

The Community Health and Welfare Council sponsored the Neighborhood Youth Corps programs when first proposed by President Johnson, and generated local support from Industry, Labor, Community Agencies, and Public Officials. This program now operated by the Minneapolis Public Schools is outstanding and has tremendous impact on our City.

Unless Congress can act to prevent the closeout of the NYC, 3,100 Minneapolis youth will most surely be faced with a summer without jobs. For poor youth the \$750,000.00 payroll is an important financial assistance that these already deprived youth cannot afford to be without.

Social service agencies use NYC kids to supervise playgrounds, to help teach arts and crafts and recreational activities, and for general support for these agencies which are understaffed in the summer. Thus, we are not just talking about losing jobs for the NYC kids, but in addition, we will lose recreation facilities and extended programming made possible through NYC support. In turn, younger age groups will miss out on supervised activities in youth-serving agencies, and increase the burden these agencies already have.

The Recreational Support Program associated with the NYC program should also be continued. The transportation and other services provided to social service agencies in the summer months is crucially supportive to providing maximum service to inner city youth.

I, therefore, hope you will extend all efforts possible to achieve a refunding of this summer's NYC program.

Sincerely,

OMAR SCHMIDT,
Executive Director.

MINNEAPOLIS PUBLIC LIBRARY,
Minneapolis, Minn., March 15, 1973.

HON. HUBERT H. HUMPHREY,
*U.S. Senate,
 Washington, D.C.*

DEAR SENATOR HUMPHREY: In my capacity as Chief of the Central Services in the Minneapolis Public Library, I have had first hand opportunity to observe the work of the young people sent to the Library for employment as part of the Neighborhood Youth Corps.

These boys and girls have been put to work on significant projects in the Library book bindery, in the maintenance of records and inventory of our book collection, and in the work of the re-shelving of books so that they may again be available to readers. They have been most helpful in the cleaning and inspection of moving picture films and of phono-discs.

This Library has employed them on some major projects. As a result of a reclassification project an entire catalog of 1,500,000 cards had to be scrutinized and checked for conflicts in code notation. This work was carried to a successful conclusion by NYC young people. The other project had to do with making ready the new community branches which this Library has built and stocked in recent years. The young people of NYC worked hard helping to get our new community libraries ready, and NYC can be credited with a full share of accomplishment.

Because NYC had another purpose—that of building responsibility and character in the young people, we were very proud to see this result in many of our youngsters.

Very truly yours,

ROBERT H. SIMONDS,
Chief, Central Library Services.

MINNEAPOLIS PUBLIC SCHOOLS,
NEIGHBORHOOD YOUTH CORPS,
FLORENCE LEHMANN EDUCATIONAL CENTER,
Minneapolis, Minn., March 16, 1973.

The Neighborhood Youth Corps has become a crucial program in Minneapolis to keep disadvantaged students in school in addition to providing for skill training, building of self-confidence, service to the community, and badly needed money for clothes, further education, recreation, and family needs.

Social service agencies use NYC kids to supervise playgrounds, to help teach arts and crafts and recreational activities, and for general support for these agencies which are understaffed in the summer. Thus, we are not just talking about losing jobs for the NYC kids, but in addition, we will lose recreation facilities and extended programming made possible through NYC support. In turn, younger age groups will miss out on supervised activities in youth-serving agencies, and increase the burden these agencies already have.

Last summer the Mpls NYC provided employment for over 3,100 young people in Hennepin county. They worked 485,000 hours and earned \$776,000. These young people returned to school, wearing new clothes, with money in the pockets and a good work experience behind them. They were ready to start school.

The current school year program has provided employment and a multitude of services for 913 young people, with less than 25 dropping out of school.

When considering NYC, you must take into account the total effect the program has on the cities, not just the money and job experience lost by the underprivileged kids. To cut out NYC will effect all programs and public agencies working with Youth—None of us can afford to have a summer without NYC.

SPEECH GIVEN BY PAUL BORANIAN TO SUBCOMMITTEE ON EQUAL OPPORTUNITIES
IN DETROIT, MICH.

Neighborhood Youth Corps along with other manpower programs has been recently criticized by many people, including our President. The charge has been that the program has not been successful. According to these critics a successful NYC program is one which keeps kids in high school. We on the NYC staff feel that our program has multiple benefits to participants, not just retaining them in school.

The Minneapolis NYC program has served over 10,000 disadvantaged youth since we started in 1965, and these youth have earned in excess of 4 million dollars. The media has recently reported some unbelievable drop-out rates for N.Y.C. in other cities, so our staff has just completed a detailed study of our enrollees to obtain a current drop-out rate.

Since September '72 we have served 913 disadvantaged Minneapolis youth in our program. Of the 605 who are over 16 years of age, 17 dropped out of school while on NYC, or 2.8%. Here are details of our survey.

STUDENTS SERVED BY NYC, SEPT. 1, 1972 TO FEB. 1, 1973

	Total served	14 to 15 year olds	16 year olds and older	School drop out	Current status
North office.....	350	100	260	4	236
South office.....	141	86	65	3	107
Central office.....	201	74	127	3	111
WOC-Edison office.....	211	58	153	7	114
Total.....	913	318	605	17	568

One must keep in mind that a majority of our enrollees come from the three inner city high schools, North, Central, and South, where the drop-out rate for exceeds 3%.

Our Minneapolis NYC program is different from many around the country in that the school system has the prime contract. There are many cities around the nation where a community agency or the city itself runs the NYC program and I have talked to many NYC Directors from around the nation who do not have close cooperation with the school system. Many of them consider the school as an enemy.

I attribute the success of our program to our great NYC staff and the excellent cooperation we receive from people in the Minneapolis schools, and the people in

the agencies where our enrollees work. Our coordinators are part of a team composed of the principals, counselors, social workers, teachers, parents, and employers. Our charge is to provide service to the disadvantaged young people of our school system. We feel that these services can be complete and meaningful only if the program is operated by the schools and professional educators.

Each enrollee is interviewed to determine his skills, interests, aptitude, etc. After checking with school counselors and school records students are assigned to a job which best fits their profile. Our Coordinating meet with enrollees bi-weekly in a group session to discuss various job related topics in addition to visiting the work site regularly. They often find it necessary to visit with parents, teachers, social workers, probation officers, etc. in working with a student. We also arrange for medical service for our enrollees and any other referral service necessary.

For many, NYC is the first job, and after gaining skill, experience, and confidence, our enrollees leave NYC for better part time jobs with the private sector. We expect that our turnover rate will be 2 or 3 times this year.

Our jobs do provide a meaningful work experience, such as the 70 jobs at Veterans Hospital or the 60 tutoring jobs with the Youth Tutoring Youth program, and many more too numerous to mention. Our demand for student help is so great that we can be very selective and only place students in meaningful job slots. This is the only program in the school system where the student can take a full day of classes and still have a supervised meaningful work experience.

We do not have any reliable statistics available on the scholastic impact an NYC job has on a student; however, we can cite many cases where a student's school performance has improved after starting a job with N.Y.C. We know that our program has an impact on attendance, because NYC enrollees cannot go to work on a school day when they don't attend classes.

I feel that too many people view NYC as just an employment placement agency; however, just finding a job for a disadvantaged student is a simplistic mechanism and it probably will not have a real impact on the drop-out rate. We do not have a program just to find a job for disadvantaged students. Our program is operated by professional educators, is very complex, and offers a supervised meaningful work experience along with many other services to our Minneapolis young people.

We cannot argue with the alleged lack of success of various NYC programs around the nation as reported recently by the media. We can only report on our program, which we feel has been successful in providing disadvantaged students of Minneapolis with many services which evidently have had some impact in making the drop-out rate for this group a fraction of what it is for the Minneapolis school system.

One of the most recent critics of Neighborhood Youth Corps was columnist James Kilpatrick of the Washington Star. In his column in the Minneapolis Star on 3/5/73 he refers to the NYC program as a "well-intentioned boondoggle" because of a G.A.O. study of NYC programs in Norfolk, Houston and Washington, D.C. In these three cities, the G.A.O. reports ineligible participants, high drop-out rates, and questionable job sites. We do not question the results of the study by G.A.O., however these programs bear no resemblance to our program in Minneapolis. It is interesting to note that in all three cities, the program is not sponsored by the public schools and operated by educators.

The article mentions job sites such as "courtesy patrol, and 54% assistant janitors." Our job sites as of 3/1/72 are as follows:

JOB SITES

	Percent	Number
Secretarial	25	144
Educational aides and tutoring—YTY	26	153
Hospital work	14	79
Food service	5	30
Recreational	12	67
Maintenance	5	30
Library	6	37
Others: Computer programmer, research aides, switchboard aides, cashier and sales-clerk, stockperson	7	40
Total	100	580

We are proud of our N.Y.C. program, and we are disturbed to have our President and others make general statements about the ineffectiveness of the Manpower Programs, because we feel that our program has been successful in keeping kids in school and with providing an excellent work experience and other multiple benefits to disadvantaged students of Minneapolis.

During this school year we hope to serve about 1200 students of the Minneapolis schools who will have earned \$1.60 per hour working after school or week ends from 8-10 hours per week in a supervised meaningful job slot. These young people will earn over \$300,000.00 during the school year. I hope that our legislators will see fit to fund this program for the 1973-74 school year to enable another 1200 students to participate in a full day of school and a supervised work experience after school. We feel that without the program, a sizeable number of this group may drop out of school.

SUMMER 1973

The above paragraphs relate mainly to the school year program. However, our immediate concern is the lack of a summer NYC program in 1973.

During the summer of 1972 we had an excellent NYC program involving about 3200 youth residing in Hennepin County. Over 300 of these enrollees were from suburban Hennepin County. About three-fourths of the summer enrollees were from families on welfare or lived in foster homes.

We had many excellent projects which benefited both the kids and the community, such as the crews who constructed stairways on the Mississippi river banks in downtown Minneapolis. We are well on the way to making the river banks into a parklike area to be enjoyed by everyone. We had hoped to continue this job in the summer of '73.

Many of our enrollees were recreation leaders in various neighborhood agencies and parks, supervising groups of younger children. Without the NYC program thousands of these younger children will be cheated out of organized, supervised summer activities.

We have developed a fine summer program in the past seven years, and provide an excellent meaningful supervised work experience for each participant.

Last summer the detached workers of the Y.M.C.A. reported a sharp decline in teen age arrests in Minneapolis, especially on the South side where special attempts were made to identify and employ teen agers who had been in trouble.

Probation officers, social workers, neighborhood agency staff members, and others who have day to day contact with the disadvantaged youth in our city; have expressed a real fear of summer '73 without an NYC program to provide badly needed experience, money, and activity to the young people of Minneapolis.

I am sure very few people realize the impact a summer without NYC will have on our community. One of our inner city principals said he hates to think about starting school in the fall of 1973 after a summer without job opportunities for his students. In the past few years students have returned to the classroom happy, wearing new clothes, with money in their pockets, and a good work experience behind them. They were ready to start school.

SUBURBAN RECREATION ASSOCIATION.
Minneapolis, Minn., March 16, 1973.

Hon. DONALD FRASER,
Congressman, House of Representatives,
Longworth Building,
Washington, D.C.

DEAR CONGRESSMAN FRASER: The Metro Committee of Youth Advocates is an organization made up of members of youth serving agencies from the Twin Cities area. We represent agencies including: schools, welfare departments, park and recreation departments and social agencies such as the Y.M.C.A. and the Y.W.C.A.

We are writing as a body to express our concern about not having a Neighborhood Youth Corps program this summer. Most of our agencies use N.Y.C. help in the summer, especially those involved in recreation programs, and will find it very difficult to operate on the level we would like without N.Y.C. help.

Last summer N.Y.C. employed about 5,000 students in the Twin Cities area, and to lose this many job slots would put us in a very precarious situation. Summer always presents problems because of the vast number of youth with nothing except time on their hands, and we would hate to think what it would

be like to not have any jobs for these disadvantaged students. Jobs are always difficult for students to find in the summer, and we are afraid to think of what additional strain would be placed on the already tenuous job situation in our community.

We believe in N.Y.C. and hope that you will exert all efforts possible to insure that we do have a program this summer.

Sincerely yours,

GAYLORD BUDD,
Chairman, Metro Committee of Youth Advocates.

MINNEAPOLIS PUBLIC SCHOOLS,
DEPARTMENT OF GUIDANCE SERVICES,
Minneapolis, Minn., March 16, 1973.

HON. DONALD M. FRASER,
House of Representatives,
Washington, D.C.

DEAR REPRESENTATIVE FRASER: This department and the counselors in this school system are very concerned about the future of the Neighborhood Youth Corps (NYC) program. We ask that you make every effort to retain this program.

Many federal and state programs, such as, "Back to School" programs, compensatory education programs for drop-outs, and occupational skills for young adults and adults, come too late to be most helpful. However, it has been our experience that the NYC program comes at an early enough age to have a very constructive and positive effect in changing the attitude and motivation of a potential school drop-out.

The assistance comes at a time when the student is asked to make some significant decisions concerning his life style and career choice and affords the student an opportunity to attain an awareness and a first-hand experience with jobs available in the community. The NYC program also provides the student with experiences concerning the expectations of employers relative to promptness, task completion and other desirable work habits.

Our evaluation of NYC and related work experience programs in Minneapolis schools indicate that students consider those programs to be the most significant and most helpful of all of their school experiences. The program assists high school graduates and drop-outs in the sense that in addition to having a general education, they have had experience on the job with its attendant developing of desirable work habits.

Perhaps the most important aspect of the program is the summer program. Years ago the urban family had gardens and related activities for youth. Today, there is really no constructive work or chore involvement for youth and the NYC program has, for our urban communities, provided a very meaningful activity as well as monetary return for urban youth.

The need for the continuation of this program for the summer of 1973 is crucial. Last spring, May 7, 1972, this office sent over 1000 letters to employers in Minneapolis asking them to list job openings for students. We received a total of 45 responses. Presently, employment opportunities for the summer of 1973 do not appear to be any better than in 1972. I sincerely hope that you and your colleagues can reverse the direction and bring the NYC back to our youth for the summer of 1973 and for the years ahead.

Sincerely,

RALPH H. JOHNSON,
Director, Guidance Services.

CITY OF MINNEAPOLIS,
YOUTH COORDINATOR'S OFFICE,
Minneapolis, Minn.

As Youth Coordinator for the City of Minneapolis I strongly support continuation of the Neighborhood Youth Corp Program. The City of Minneapolis has an estimated 14,000 youth age 14-21 in 58 low income census tracts including 4,000 youth who are receiving direct public assistance through Hennepin County Welfare, and who have requested employment for the summer.

Through the combined efforts of youth employment programs in Minneapolis (NYC, EEA, Model Cities, NAB-JOBS & Federal Executive Board) over 3,877 youth were employed in 1972. Without the 3,151 youth who were employed through the N.Y.C. program, only 726 youth would have had the work experience that

the employment programs provided, both in the public and private sectors. Twenty three hundred youth were receiving public assistance are included in the 3,877 who were employed through these programs.

The Neighborhood Youth Corp program has supplied invaluable public service to the Citizens of Minneapolis. NYC enrollees are placed in social service agencies, parks and playgrounds and environmental land reclamation projects. The administration of the program and cooperation with other agencies I consider excellent.

At this point I understand that Neighborhood Youth Corp may be funded with monies allocated for the P.E.P. program. It is not efficient program management to endanger one needed program at the price of another.

I therefore request continuation of the Neighborhood Youth Corp at no expense to other needed public employment programs and urge your similar support.

Thank you,

OTIS D. SMITH,
Youth Coordinator of Minneapolis.

MARCH 6, 1973.

HON. DONALD M. FRASER,
The House of Representatives,
Washington, D.C.

DEAR REPRESENTATIVE FRASER: I wish to express my concern for the demise of the Neighborhood Youth Corps (NYC) in-school program and in particular its summer program. For the past several years this program has been an invaluable experience for intercity youth to gain work skills. Many of these students would not have an opportunity to work while in school because of the shortage of part-time jobs; and, perhaps even more important, many of these youngsters would not have developed the proper work habits to be successful on a full-time job if it were not for the supportive service and work experience offered by the NYC programs.

The success of the NYC program in Minneapolis can be evidenced by the number of high-risk students enrolled in NYC who continue in high school and frequently gravitate to one of the cooperative work programs offered as part of the school curriculum.

My primary concern is that this has been a very successful program in Minneapolis having very qualified staff and an excellent relationship with the community. A secondary concern that I have, which to some may seem even more important, is that our success in garnering part-time jobs for teenage students has generally been nil. Even with extensive campaigns to develop part-time jobs, the demise of the NYC program then means that approximately 2500 to 3000 teenage youths will have no opportunities for part-time work and will be essentially "on the streets." A related issue is that the minimum wage paid to workers is being raised in our national congress and in our state legislature. It has been our experience that a rise in the minimum wage paid to workers ultimately means fewer part-time job opportunities for students because employers become very reluctant to pay higher wages to students when they can hire adults to do the same work for the same wage.

If a decision is made to eliminate NYC programs, it is my sincere wish that this not be done on a wholesale basis as I am sure that there are many other NYC programs throughout the country that are as successful as the NYC program in Minneapolis.

Sincerely,

LYLE A. BAKER,
Counselor, Special Assignment.

COMMUNITY HEALTH AND WELFARE COUNCIL,
Minneapolis, Minn., March 19, 1973.

Honorable Senators Humphrey and Mondale, Representative Fraser, distinguished guests, we welcome the opportunity to comment on the probable effects of the 1974 federal budget on social services in Hennepin County from the perspective of the Community Health and Welfare Council and upon financially participating agencies in the United Way of Minneapolis Area.

As a backdrop against which to register the comments to follow we respectfully request the record to show that we are sympathetic with current efforts to close the abuses of open ended social service legislation, to fight inflation through control of federal expenditures and to maintain the federal budget at 239 billion for 1974. However, these generally acceptable goals could be best achieved by prioritizing available federal funds to achieve a more proper balance between expenditures for services to people and expenditures for hardware, such as the military.

The testimony you have heard thus far documents the fact that programs cut back or terminated in the federal budget for 1974 will transfer responsibility for maintaining current programs to city, county, and state governmental units and potentially to the voluntary non-profit private sector. The Great Depression of the 1930's demonstrated that churches, social agencies and individuals did not have the financial resources then to effectively deal with the problem; as a result, government at the national level stepped in with WPA, NRA, PWA, surplus food, etc.

What does this mean to the United Way? First, some existing federally funded programs involving United Way agencies will be terminated; for example, the Neighborhood Youth Corps with over 3,100 summer jobs with a payroll of \$750,000 will be lost. Second, agencies having other federally-funded services may turn to the United Way in a desperate effort to keep alive a program excluded from the 1974 Federal budget. It will not be possible for the United Way to supply funds in appreciable amount, if any at all. Meanwhile, the United Way has developed its own New Directions Project to give priority to services for the near poor, disadvantaged and those not able to pay for service from its 90 member agencies on the assumption that the public sector would continue its traditional responsibility.

From a planning perspective, which is our primary concern, the Federal Budget for 1974 means that:

(1) there is no income strategy to replace the Family Assistance Plan; funds for food, clothing and shelter have been deleted but no viable alternative is proposed.

(2) the State of Minnesota will be required to supplement federalized Aid to the Blind, Aid to Disabled, and Old Age Assistance to maintain current levels.

(3) the State of Minnesota will pay for AFDC cases discovered after the fact to have been ineligible for assistance.

(4) the revised regulations to the Social Security Amendments will for all practical purposes substantially reduce to the point of extinction, programs for the aged, working mothers, handicapped and the blind through which the disadvantaged saw a glimmer of hope for self-sufficiency and self-support.

These examples are given merely to suggest that there be consideration of re-ordering national priorities in the Federal Budget for 1974 toward services to people.

ROBERT W. WALTHER,
Assistant Executive Director.

PREPARED STATEMENT OF EARL D. CRAIG, JR.

Senator Mondale, Senator Humphrey and Congressman Fraser, thank you for this opportunity to appear before you today. I must say at the outset that I am not at all comfortable with the remarks I am about to make.

Although my party responsibilities and professional duties have carried me throughout this state in the last few months where I have seen rural as well as urban poverty and although my chairmanship last year of the new Minneapolis OEO Community Action Agency, Hennepin Action Program, put me in a constant position to hear the frustration, anxieties and angers of many poor people in this city, my concern this afternoon is very specifically the effects of budget cuts and program dissolutions upon Black people in this community and throughout the country. And, gentlemen. The picture is not just gloomy it is frightening. And my purpose today is to place the federal budget cuts within the political-social-psychological context which surrounds Black people today.

First, gentlemen. I must repeat a small portion of the terrible litany of budget cuts in the administration's program that directly affect the lives of many, many Black people. (Before doing that, I feel constrained to remind you that although conditions are better and opportunities are more available for some Black people

in the last decade or so, the lives of the vast bulk of Blacks, particularly in almost all Northern cities, is not significantly better at all.)

Now on to the list of budget cuts.

(1) The dismantling of the Office of Economic Opportunity and the termination of the Community Action Programs. Without discussing how important this has been in many communities, the elimination of the CAP's will remove 175,000 people (many part-time) from their jobs.

(2) A \$9.4 million cut in the Drug Abuse Education program from \$12.4 million in FY 73 to \$3 million in FY 74.

(3) The budget of the Dropout Prevention program reduced \$6 million from \$10 million in FY 73 to \$4 million in FY 74.

(4) \$209.4 million less in Manpower Development and Training Act monies for FY 74.

(5) The elimination of the Emergency Employment Act (EEA) program. The administration claims that improved economic conditions make EEA unnecessary. Obviously, White House counselors Ehrlichman, Schultz and Ash did not have Black people in mind. Of the 140,000 who had jobs under EEA, 90% had been unemployed beforehand and the other 10% was underemployed 40% of the 140,000 were classified as disadvantaged, which means that they were either: (a) poor, (b) a minority group member under 22 or over 44 years of age, or (c) had less than a high school education. Gentlemen, I am not at all confident that there are jobs in the economy waiting for these people.

(6) In the area of housing, there are no proposed funds for the 235, 236 and Rent supplement programs; no funds for any substitute housing production program; no revenue-sharing or block-grant legislation for housing proposed; and Model Cities is being phased out.

Gentlemen, I said earlier that the situation is frightening. This is so because most Black people have perceived not a single pronouncement, program or action from the government of this country which might engender even the slightest hope to the masses of Blacks. The message, whether intended or not, is loud and perfectly clear, that we do not count.

For example, although the Black community in this country is split about 50-50 over the issue of busing, all Blacks realize that the administration's opposition has little to do with education or school bus safety.

For example, we listen to the call by the President for a return of capital punishment and we remember that it was primarily Black people executed.

For example, it is not lost upon the consciousness of Blacks, during a period of great fervor about the returning of POW's who will receive a free Ford car and guaranteed jobs, that while the unemployment rate in January of non-veterans aged 20 to 24 was 7.4% and that of all Vietnam veterans that some age was 8.6%, that of Black Vietnam veterans was 9.5% in the last quarter of 1972.

And, lastly, for example, with the history of states' rights and its meaning for Black people, the cities under the leadership (?) of people like Frank Rizzo, and with reports as in yesterday's Minneapolis Tribune of monies going to roads and police equipment, we are less than sanguine about general or special revenue sharing.

Into this perceptual framework of utter despair about the society's institutions and the nation's leaders is placed now the hard reality of no EEA jobs, no Rent Supplement or 235 or 236 monies, no community development monies, less vocational education funds and the list goes on. Gentlemen, even the crumbs that usually keep the dogs under the table quiet or fighting among themselves for those crumbs will no longer be available.

If you read both the research conclusions of the social science staff of the Kerner Commission and the findings of the commission itself, you will see that we have now (and will particularly by this summer when these programs end June 30th) the exact situation described as leading to violent disturbances. A scarcity of jobs, poor housing, inadequate welfare and insensitive procedures, and inadequate educational facilities, and, most important, a perception that the dominant society does not care and that no amount of individual or group effort will really make a difference.

Gentlemen, This is not meant to be a threat or even a prediction. But as a Black person, a presumed leader and a social scientist, I would be derelict if I did not make these observations. I realize too well that a strategy of violence will not succeed for us. I and most Blacks are aware that the spontaneous urban disturbances produced more real pain for Black people than for any others. But

despair clouds the vision and undercuts logic, besides for too many Blacks (as obviously for many South Dakota Indians) what is there to lose.

Gentlemen. My remarks are not addressed to an administration that has indicated that it does not care but to a Congress that says it does. This is not just a crucial constitutional struggle between the Congress and the executive but the well-being—no, survival—of many Blacks and others and the domestic tranquility of the nation may be at stake. I hope that you in the Congress will be firm and aggressive and strong. As we used to say, gentlemen, when I was a kid, "We're playing hard ball now."

Thank you.

MINNEAPOLIS PUBLIC SCHOOLS,
SUPERINTENDENT'S OFFICE,
Minneapolis, Minn., March 19, 1973.

STATEMENT BY JOHN B. DAVIS, JR.

Gentlemen, the Minneapolis Public Schools have made impressive contribution through faculty, staff and students to the general well-being of our city and the metropolitan area. The accomplishments, some of which I shall touch upon in the brief remarks to follow, have been predicated on the sound basis of a commitment to the integrity and worth of each student whether in the elementary, the junior or the senior high school, in adult basic education programs, in Manpower Development activity or in the programs designed to sponsor good citizenship by those who more recently have arrived in Minneapolis.

The school system has been committed to the importance of the basic fundamentals of education—reading, writing and mathematics. There has been a significant acknowledgment of the importance of making each student self-sufficient and confident in his or her own ability to master his environment and be a productive person.

The school system has been creative in its approach to a multitude of problems known by all of you as peculiar to the cities of America.

Not perfectly, but with good intent has the school system found the ways of identifying with civic and community groups concerned with human and social rehabilitation and education—Model City, Pilot City, area-wide civic groups—and our cooperative efforts have been impressive.

The commitment of the Minneapolis faculty and staff to excellence is reflected in the recent report, "Profiles of Performance," wherein each school in our system is cited in terms of its pupil population and achievement on certain standardized tests.

We know that the Minneapolis Public School system is an achieving school district—achieving in terms of student accomplishment, achieving in terms of community commitment, achieving in terms of improving the human condition by the steps taken to bring about desegregation and then integration as it can be observed at the Field-Hale School.

In terms of meeting community need and responding to community interest, the Minneapolis schools were cited as one of the first three to be awarded an experimental school grant permitting educational option and choice.

At the last Board of Education meeting and by unanimous vote, the Superintendent was instructed to prepare a plan to be operative September 1976 permitting freedom of choice and option for all citizens concerned with the education of their children and desirous of a particular form or style and process of learning—a pattern working well in the schools of our Southeast Alternatives.

Minneapolis Public Schools have husbanded their resources well. While financial resource is more limited for the year beginning July 1 of 1973 than it has been in the recent past, we are still by comparison well off; but this fact can be explained by simply stating that we have accumulated an anticipated end-of-the-year balance which will enable us next year to maintain classroom service at the approximate level of 1972-73.

In this context, it is important to point out that in the course of the past five years the Minneapolis Public Schools has assumed responsibility budget-wise for programs federally initiated and currently being supported by federal funds in the amount of nearly \$2 million. The effect of this was to liberate a considerable amount of federal money for additional school learning improvement programs.

Now as the City of Minneapolis school system begins to sense accomplishment and exhibit a confidence, the role of the federal government becomes uncertain and confused.

In the programs I shall refer to, all of which are fully or heavily funded by federal dollars, we are unable to plan for their continuance, their expansion, or even thoughtfully plan for their demise, if that be their fate.

By my estimate in the period of the past few years, the federal share of operating programs in the Minneapolis Public Schools has dropped with the exception, of course, of our successful competition for experimental school funds. The federal role should be one of expansion, particularly as the plight of cities is acknowledged.

Minneapolis has a remarkable record of blending local, state and federal funds with impressive financial support from business, industries and banks of our city to the end that the less privileged, the less responsive students, and the handicapped have had additional opportunities.

It is, in my mind, lamentable that at this critical time the President should move toward impounding funds and the Congress appear uncertain as to the remedial steps necessary to insure an adequate flow of resource to Minneapolis and the other cities where human and educational problems and opportunities are so apparent.

Turning to specific programs, let me comment from my notes which indicate that based upon our best projection the ESEA funds available for Minneapolis will drop from \$6.7 million to \$4.2 million.

Our ESEA programs have been used primarily in the area of basic skills and teacher-pupil support systems.

AMERICAN RED CROSS,
MINNEAPOLIS AREA CHAPTER,
Minneapolis, Minn., March 19, 1973.

Hon. HUBERT H. HUMPHREY,
Public Hearing,
Minneapolis, Minn.

DEAR SENATOR HUMPHREY: We are grateful for the opportunity given community agencies to express their viewpoints on the impact of the 1974 Federal Budget in Minnesota. The Minneapolis Area Chapter, American Red Cross, has not directly participated in Federal financing of community action programs. As a part of the Minneapolis Area family of concerned social service agencies, however, we feel that some of the new provisions affecting community programs are detrimental to the total community and should be changed.

(1) The short March 19th deadline makes it difficult for communities to assess the significance of the new restrictions. An extension of this period for further study would be helpful.

(2) The eligibility requirements have been tightened so far as to be harshly restrictive. I feel that these requirements should be liberalized so as to reduce their impact on the unemployable.

(3) The prohibition on the use of contributed funds for matching Federal funds will destroy cooperative programs which are now serving thousands of Minneapolis area people. The demands on the public instrumentalities make it unlikely that public funds will be available. The continued use of contributed funds for this purpose would be a justifiable change in the proposed regulations.

We will appreciate your thoughtful consideration of these suggestions from our local chapter.

Sincerely,

GLEN A. WHISLER,
Executive Director.

STATE PLANNING AGENCY,
March 5, 1973.

THE IMPACT OF THE FEDERAL BUDGET CHANGES ON MINNESOTA

The budget for fiscal year 1974 proposed by the Nixon Administration includes program funding changes that could have a profound impact upon Minnesota. Below are listed some of the more dramatic changes:

Social services

The effects of changes in the federal regulations on social services in Minnesota are as follows:

In June 1972 the estimated amount of federal funds to be spent in Minnesota was \$96 million.

In October 1972 the social services funds available to Minnesota was \$46 million due to a ceiling imposed by the Revenue Sharing Bill.

The current actual and estimated federal funds to be spent in fiscal year 1973 is \$34 million.

The estimated expenditure in fiscal year 1974 based on proposed regulations is \$12 million.

If Minnesota is to continue to honor current public policy it will need approximately \$22 million which will have to come from either state or county appropriations.

Medical research and training

The proposed cutbacks in medical research and training will have a severe effect upon the University of Minnesota. The budget reflects no intention to continue major federal support of biomedical research in areas other than heart and cancer and no intention of making funds available for the research training grants program. Currently, the Health Services of the University of Minnesota has a total of \$11.6 million in NIH research grants and \$15.2 million in NIH research training grants. The discontinuance of the research training grants would eliminate support for 301 research scientists at the University.

Community action

The proposed 1974 budget provisions include abolishment of the Office of Economic Opportunity. For the entire state, the discontinuance of the Community Action Program will affect 35 Community Action Agencies and approximately 875 persons currently employed by those agencies. Funds for the continuance of these agencies will have to come from the state or local units of government.

Housing

The impact of the moratorium on Minnesota if in effect for the full 18 months would be the loss of approximately 3,000 units under 235, 236, and rent supplement programs and approximately 2,000 units under the public housing for the elderly and low income family programs. These programs would represent a loss of approximately \$75 million in construction and related costs.

Water quality

The proposed budget does not provide for full funding of the Federal Water Pollution Control Act. The President's budget proposes only \$3 billion rather than the \$6 billion authorized by Congress. This would that Minnesota would receive \$61 million rather than \$122 million during fiscal year 1974.

Summer jobs

The proposed budget does not make provision for summer jobs through the Neighborhood Youth Corps. In Minnesota this would mean a loss of at least 10,000 summer jobs for youth during the summer of 1973.

Education

The budget calls for the cancellation of the ESEA Title V program—Grants to Strengthen State Departments of Education. The Minnesota Department of Education calculates that at least 50 of the 400 employees supporting that program will be out, as well as the internal and external planning capability and the new programs initiation capability of the department.

The Program for aiding schools in "federally impacted areas" is also being greatly curtailed. The stipulation that parents of students must both work and live on federal property results in a decrease of 39% in funding under this program; the net loss to Minnesota would be approximately \$1.6 million, based on this percentage decrease.

Lawcon

The Land and Water Conservation Fund is being cut from approximately \$200 million to \$50 million. This decrease means that Minnesota's receipts will drop to about \$800,000 in fiscal year 1974, from \$3,140,000 in fiscal year 1973.

Manpower

The discontinuance of the Public Service Employment Program will mean a loss to Minnesota of at least \$14 million—the funds received for support of that program during Fiscal Year 1972. This program cancellation will also affect approximately 2500 jobs which were supported at the close of the 1972 fiscal year; about 1800 persons were participating through the State—level P.E.P. Program; an additional 700 enrollees were supported by local or county programs. The discontinuance of the program will force either the release of the persons employed under the program or throw the responsibility for supporting those jobs to the state, local and county governments.

SUMMARY OF FISCAL YEAR 1974 FEDERAL BUDGET, FEBRUARY 26, 1973

The President has presented to Congress a budget for fiscal year 1974 that he says is designed to slow inflation, avoid tax increases, and revamp the federal grant system. He proposes a total of \$268.7 billion in outlays for fiscal year 1974 and an estimated \$288.0 billion in outlays for fiscal year 1975. The President's budget proposes expenditures of \$268.7 billion in fiscal year 1974 and projected revenues of \$256 billion. This would leave an actual deficit of \$12.7 billion, but on the basis of a "full employment budget," a surplus of \$300 million.

Indicated below is a brief summary of budget totals for fiscal years 1972-75, indicating receipts and outlays on a full employment basis.

THE BUDGET TOTALS

[Fiscal years, in billions]

Description	1972 actual	1973 estimate	1974 estimate	1975 estimate
Budget receipts.....	\$208.6	\$225.0	\$256.0	(1)
Budget outlays.....	231.9	249.8	268.7	(1)
Deficit (-).....	-23.2	-24.8	-12.7	(1)
Full employment receipts.....	225.0	245.0	268.0	\$290.0
Full employment outlays ²	228.9	247.3	267.7	288.0
Full employment surplus of deficit (-).....	-3.9	-2.3	.3	2.0
Budget authority.....	248.1	280.4	288.0	313.5

¹ Estimates of actual receipts and outlays have not been made at this time.

² In these estimates, outlays for unemployment insurance benefits and the Emergency Employment Act program are calculated as they would be under conditions of full employment.

Source: Budget of the United States, 1974.

The proposed 1974 budget includes estimated outlays of \$81.1 billion for national defense. Actual outlays for *national defense* in fiscal year 1972 were \$78.3 billion and estimated outlays for fiscal year 1973 were \$76.4 billion.

Although the actual expenditures for national defense will increase, the national defense expenditures as a percent of total budget will continue to decline. The following table demonstrates this pattern:

PERCENT OF BUDGET OUTLAYS BY FUNCTION

Function	1970	1974	1975
National defense.....	40.8	30.2	29.7
Human resources.....	37.0	46.7	46.8
Physical resources.....	10.7	9.6	10.1
Interest.....	9.3	9.2	8.8
Others.....	5.4	7.1	6.8
Contingencies and civilian agency pay raises.....		.7	1.1
Undistributed intragovernmental transactions.....	-3.2	-3.4	-3.4
Total.....	100.0	100.0	100.0

Source: Budget of the United States.

As part of the President's program to "revitalize" the federal system, the President has again proposed the creation of special revenue sharing programs in the 1974 budget. Seventy categorical programs are to be grouped under four

subjects: education, law enforcement, urban community development and manpower training.

The budget authority for each of the special revenue sharing packages for the first full year are as follows:

	<i>Billions</i>
Urban community development-----	\$2.3
Education-----	2.8
Manpower training-----	1.8
Law enforcement-----	.8
Total -----	6.9

The president has indicated he will submit to the Congress only three special revenue sharing bills this year. The President has indicated he will use administrative authority under existing statutes and other proposed legislation to achieve grant consolidation in additional areas. The President will not submit special revenue sharing bills in rural development, manpower, transportation, areas in which special revenue sharing have been proposed in the past.

The Administration and Department of Agriculture officials believe that administrative authority granted under the Rural Development Act of 1972 will allow them to grant state officials more discretion over rural development subsidies.

In the area of manpower training, the Administration will request a straight extension of existing authorization statutes and then will use administrative authority to consolidate more than a dozen categorical programs into a \$1.3 billion package resembling special revenue sharing.

Although no special revenue sharing package in *transportation* will be requested, the Administration will attempt to persuade Congress to provide big city Mayors with the ability to use close to \$1 billion a year in highway trust fund money in a flexible fashion.

The community development special revenue sharing plan would consolidate the urban renewal, model cities, water and sewer, neighborhood facilities and rehabilitation loans and would provide \$2.3 billion in the first year.

The Administration proposed to convert the bloc grant programs of the Law Enforcement Assistance Administration into a \$790 million special revenue sharing package. Statutory base upon which the LEAA operates, the Omnibus Crime Control and Safe Streets Act, expires on June 30.

The President is proposing to consolidate 33 education programs into a \$2.8 billion special revenue sharing pot that would grant states broad discretion over the expenditure of federal resources.

TESTIMONY DELIVERED AT A HEARING BEFORE SENATORS HUMPHREY AND MONDALE AND REPRESENTATIVE FRASER, MINNEAPOLIS, MINN., MARCH 19, 1973

Professor William Owens of Columbia University is a distinguished folklorist and author. He has recently published a second volume of his autobiography. He was a poor boy who grew up in the cotton country of northeast Texas. By the time he reached manhood he was still locked into his poverty, his ignorance. He desperately wanted education but he could not afford even a brief respite from his heavy labor in a Dallas warehouse. In his book, almost in passing, he pays tribute to the public library when he says—and note the gravity of his words—“My best refuge—at times my last grasp of hope—was the Dallas Public Library.”

I know Bill Owens. I know he is a careful man. I believe him when he uses the words—“My last grasp on hope.”

Owens is only the latest in a long parade of distinguished men who have acknowledged their debt to the public library.

Now a new vandalism is sweeping out of Washington across the land. Our government is telling us that it is not the concern of government to provide the means of knowledge through allocation of tax resources to libraries. This is appalling. It is not worthy of our nation. It is not in accord with our fundamental belief that Americans rise by self help, and a library is one of the most efficiently designed self-help institutions ever invented. But for libraries to be effective they must be stocked and manned by society.

May I recite some facts for you.

The U.S. Office of Education reports that of all funds spent on education in the United States only 4% goes to materials (and this includes text books).

In Minnesota the property tax provides about 30% of the support for public schools but 96% of the support for public libraries.

In 1973 \$16 million will be spent on all public libraries in Minnesota, 25% of that will be spent in Minneapolis and another 20% or so in suburban Hennepin County. Putting it another way about half of public library money will be expended right in the county where we are sitting, but this county has less than 25% of the state's population.

In the 1972 fiscal year the Federal Government allotted \$59 million for public libraries in this country under the Library Services and Construction Act. Minnesota's share was \$1.1 million. The Minneapolis Public Library received about \$160,000 of that money (I cannot be precise as to the amount because there is some commingling of state funds with federal). The total input into Minneapolis comes to about 37 cents per capita of the Minneapolis population and about 3% of our budget.

Representative Karth at a dedication of a Ramsey County library about 3 years ago said the 35% of all public funds for libraries was coming from federal sources. With all respect I must say that Representative Karth could not have intended to mean *public* libraries. According to the American Library Association, about 6% of public library support was from Federal monies in fiscal 1972.

In any event, we are now threatened with the removal of even that small support.

While it does not lie within the province of Congress, I would also like to point out to you that the apathy toward public libraries extends downward through state, county and municipal government. In Minnesota less than 1% of all money appropriated for the State Department of Education goes for public library service, although the Department is the legal entity which is responsible for public libraries in this state. The state director of library service does not even have the rank of assistant commissioner; his influence in educational councils is scarcely felt because the whole emphasis on education is presumed to be school oriented. This is a grave misreading of the facts of life and learning.

While the local appropriations for libraries in the Twin Cities area are good, the conditions elsewhere in the state range from barely adequate downward to nothing. There are 37 counties in the state of Minnesota where not one penny of county revenues is appropriated for public libraries. Those 37 counties have a population of nearly 700,000 people.

Last week Coretta King was in Minnesota and she called Federal Revenue Sharing the new violence. I must concur. As the administration reduces its categorical aids to libraries, there is only slight evidence from around the nation that federal revenue sharing money is being used locally to pick up the slack for libraries.

The result of this will be to bring library development and enrichment to a standstill at the very time when knowledge is expanding, book publishing is at an all-time high, information needs are growing beyond our capacity to deal with them.

More than 70% of the population of the United States has no school affiliations whatsoever, yet last year this nation in the aggregate spent more money for materials for college and university libraries (which are accessible to only about 10% of the people) than it did for materials for all the public libraries in the United States. All the public libraries together spent \$131 million for books, a little over 60 cents per capita. Yet of our 200 million people about 150 million have no place to turn for sound, reliable information except the public library.

We are in serious danger of creating in this nation a small elite not only based on income, but based on access to information from which large parts of the public are excluded either because they have no links to the educational complex or because, simply, they live in the wrong places. The government proposes to spend \$80 million for overseas information through VOA and other radio facilities, but nothing for its own citizens through libraries.

Only Congress can redress the imbalance. To a lesser extent state government can do some of the work. In Minnesota we will be watching to see if the state legislature is sensitive to the issue, although I must say at this moment that my hopes are not high. You gentlemen can do more, more swiftly than can ever be accomplished locally. The question is, how can we help you?

What do we need? First, do not let the Library Services and Construction Act die through lack of funds. Second, I urge you to do your best to set as a minimum

goal, \$200 million for public library service. Third, I ask you to write into law the kind of controls which will insure that at least adequate library service will be brought within reach of all those people not now served (700,000 in Minnesota alone). Fourth, through the U. S. Office of Education develop a program whereby the collections of materials in cities of 100,000 population or more receive special additional assistance to provide back-up reference and lending service to all the lesser populated areas in their regions, insuring that aid to those libraries is contingent upon a successful showing that they are making the effort to open the city library resources to the rural areas near them.

ERVIN J. GAINES,
Director, Minneapolis Public Library.

TESTIMONY PRESENTED TO CONGRESSMAN FRASER AND SENATORS HUMPHREY AND
MONDALE, MARCH 19, 1973

Congressman Fraser, Senators Humphrey and Mondale: My name is Chris Huber and I am currently serving as Assistant Superintendent for Instruction for Independent School District 13, which is located in the Minneapolis suburbs of Columbia Heights, Fridley and Hilltop.

I appear before you today at the request of Congressman Fraser's office to present testimony concerning the effect that the Administration's proposed budget for fiscal year 1974 will have upon the educational programs of School District 13.

I desire to make a brief prefacing statement to my subsequent remarks. In my judgment many Twin Cities metropolitan school districts need more money if they are to continue providing a similar quality of education which they have provided their patrons in the past. The combination of imposed state levy limitations, the lack of adequate state aids, a declining student population, and a continued inflationary economy has created severe financial problems for metropolitan school districts. I have before me a survey of 39 metropolitan school districts which clearly affirms my aforementioned statement. (Addenda I)

There is no question in my mind that School District 13, too, needs additional monies if it is to continue providing quality educational services. It is inconsequential whether these monies are obtained from local, state, federal or private sources, as long as they are obtained. This concludes my prefacing remarks.

Now I will address the question at hand, namely, what effect will the Administration's proposed budget for fiscal 1974 have upon the educational programs of School District 13? Actually, the Administration's proposed budget will have relatively little effect upon District 13's educational programs. This comment may seem surprising in light of my prefacing remarks, so permit me to explain. Presently, District 13 is participating in only two major federally funded programs. One of these programs consists of Phase VIII of the Elementary and Secondary Education Act of 1965, P.L. 89-10, Title II, which provides grants for the procurement of school library materials. For the current year this federal grant will provide School District 13 a total of \$12,904.50. During the eight years this program has been in existence the annual grants provided District 13 have ranged from a high of \$15,388.00 in 1965-1966 to a low of \$7,605.50 in 1969-1970. The average grant during this eight year period amounted to \$12,648.14.

The other major federally funded programs District 13 participates in are those provided by the National School Lunch Program and Child Nutrition Act of 1966, P.L. 89-642, namely, the School Lunch Program, the School Milk Program and the Commodity Distribution Program. These programs have provided our district an annual grant approximating \$100,000. According to our interpretation of the Administration's proposed 1974 budget School District 13 should obtain approximately \$10,000 more in these programs than it did in the past years.

One might validly question why School District 13 does not participate in more federally funded programs since at last count there were a total of 67 different federal categorical aid programs available to the educational enterprise in the State of Minnesota? School District 13 has participated in other federally funded programs, however, those programs were either discontinued at the federal level or the bureaucratic demands for participating in the programs grew to the point where School District 13 had to devote a disproportionate amount of the funds

received to supervisory and administrative personnel needed to sustain the programs than they could actually provide in service to the recipients for whom the programs were originally intended. A classic illustration of this situation occurred during 1972 when District 13 discontinued its participation in Title I of the Elementary and Secondary Education Act of 1965, P.L. 89-10, which provided financial assistance to educationally deprived children. This decision was reached after much deliberation and thought. However, it was felt that the decision was necessary because of the massive amount of paper accounting that was required to prove to other public agencies by the elected Board of Education of District 13 that proper assessment of needs had been made, adequate planning of programs had taken place, valid selection of pupils had occurred, proper monitoring of ongoing programs had been provided, and continuous evaluation of the program's progress and outcome results was being done. Since our Title I project allocation was limited to approximately \$25,000 it was concluded that in order for District 13 to provide the necessary staff to fulfill all aforementioned bureaucratic accountability requirements it would have to spend more money in proving this accountability to other public agencies than it could allocate to serving the children for whom the money had been intended.

The illustration I have just cited brings me to the more important point of my testimony, namely, that we in the local school districts need financial assistance, and need it badly, but we are not interested in an ad infinitum number of dedicated categorical aid programs, since such programs generally require as much money, if not more, for their administration and supervision than ultimately is provided to the recipients for whom the programs are intended. In addition, such programs tend to become rigid and inflexible to changing local needs because of the needed administrative and supervisory bureaucracy. What we desire and need is a form of *revenue sharing* which will provide local school districts with money they can appropriate as their local needs dictate. There is no doubt in my mind that the greatest degree of government accountability and responsibility occurs at the most local and immediate level possible. I assure you that our local elected officials are most accountable to their constituency. Congress must develop a trust in local governmental agencies and strengthen them so that governmental power can truly be returned to the people.

I sincerely hope you gentlemen, my elected officials, will agree with this position, will transmit it to your congressional colleagues in Washington, and will vigorously support it.

I thank you for your patience and consideration in listening to my remarks.

THE MINNEAPOLIS-ST. PAUL METROPOLITAN AREA SURVEY OF 1973-74 BUDGET CUTTING

As a result of increasing enrollment (about 2000 increase a year), the Anoka School District will be increasing their staff. There will be a bond issue soon for a junior high school and three elementary schools.

The Belle Plaine School District has been discussing some cutting due to Title I, probably will not be necessary at this time.

Due to the decreasing enrollment and the financial crunch, the Bloomington School District will be cutting nine probationary positions, sixteen tenure positions with an additional one possible. One administrator in that district will be taking a teaching position. There will be multiple cuts in supporting positions. Classified positions will be cut by 8.3 staff.

Brooklyn Center will be cutting eleven positions in the certificated staff, four of which are less than full time and four of which are tenure teachers. Supporting staff will be cut by dollar amounts resulting in cutting some part time people and cutting hourly amounts for some people. The cutbacks are required by both a drop in enrollment and the financial problem, 3% enrollment drop.

Centennial expect that attrition will take care of any reductions they need to make in staff. P.L. 374 is a concern for their district, which will take \$50,000 off of the top. Financial problems and enrollment drop contribute to the problem.

Chaska is a growing district and will not be cutting staff.

Columbia Heights will be cutting eight elementary positions, but have an increase in secondary enrollment. Their enrollment is dropping in elementary and the financial crunch will hit in a year or two.

The enrollment is not growing as fast as Eden Prairie expected, but their problem is largely financial. They may have to drop three positions. Building is going on there, but there is not the increase of enrollment that was anticipated and that had been used to determine staff needs.

Edina expects that attrition will account for the needed eight position reduction for this year. Last year fourteen positions were cut. They have set their class size goal at 27-1 and are increasing classes to meet that size. They are now looking at 1974-75 with the thought of possible reorganization. Are watching the legislature and are concerned about upcoming legislation.

Farmington will not be cutting any teachers this year. They cut one last year due to enrollment drop.

Forest Lake is a still growing, low spending district and are not in a bind now. They will be adding staff this year, approximately 12 to 14 teachers, and have a concern about the capital outlay funds being frozen since they held down on that last year.

Fridley will not be cutting staff.

Cuts last year for Golden Valley School District make such action this year unnecessary. The cuts were necessitated by the financial problem, but they do have some enrollment drop.

Hopkins will be cutting five elementary teachers, ten full time secondary teachers and fifteen part time people. They will also be cutting one administrator and some supporting staff. Both the financial crunch and an enrollment drop determined this step.

Inver Grove is not finding it necessary to cut staff yet.

Lakeville is not cutting staff, but they are not adding any, in spite of enrollment increase.

Largely due to the financial problem, Mahtomedi is cutting staff and services. The picture involves 3.5 elementary certificated staff, cutting of the extended contracts of four secondary certificated staff, cutting one administrator, slicing on-the-job training for students, fifty percent of the teacher aides, and cutting of services; such as community services by \$6000, raising lunch prices, drivers training fees, extra curricular programs by twenty percent, cutting purchase of materials and cutting custodial overtime by fifty percent. There is very little enrollment drop.

Minneapolis will be cutting one hundred twenty teachers purely due to enrollment drop. There will be a cut back of forty five supporting staff—principals, counselors, custodial staff, etc., due to both financial problems and enrollment drop.

Increasing their class size to 28-1, with a minimum class of 25, is one step that Minnetonka is taking to help with their problems, largely financial, but also due to some enrollment drop. They will be cutting fifty one teachers, a total of seventeen positions, and not replacing one administrator. One administrator on staff will be increased from one-half time to full time to result in one-half a position less. There will be some cutting in supporting staff largely determined by dollar reductions, cutting of hours, etc. There are also to be program cuts—athletics, music.

Mound will be cutting 6.3 elementary positions, 2.3 junior high school positions, and 3.1 senior high school positions, involving teachers and teacher aides. They have not filled positions as people left to alleviate the problem. Last year they cut \$140,000 from their budget and another \$140,000 this year basically due to the financial problem because of the levy limitation. There may have to be more if the legislature does not come through or if the teacher settlement comes in high enough to throw the balance off.

Mounds View still have a growing enrollment, though it is lessening, but they will have to cut programs not financed by the local district (Title I), a cut of \$100,000—\$65,000 of which is teachers salaries or five and one-half positions.

New Prague has the problem of burgeoning enrollment and will be adding staff, probably about ten, and possibly going on split shifts.

North St. Paul expect natural turnover will take care of the problem. They work on FTE (full time equivalency) and each principal is given a ratio to work with in determining kinds of staff. Their problems are both financial and enrollment with enrollment drop contributing more.

In spite of a slight enrollment increase, Orono cut the budget last year and are cutting staff very slightly, simply by not replacing as they leave.

Osseo will be cutting eight elementary and ten secondary teachers. They are not sure what the story will be on supporting staff, may not replace as they leave. They are affected by both the financial crunch and enrollment drop, but feel the financial problem will hit hard in the future.

Richfield has been working on this problem for three years. Enrollment drop is their biggest problem and they have not been replacing teachers as they resign. They will be cutting two positions.

Robbinsdale will be cutting back sixty-three positions in the teaching staff and abolishing two administrative positions. There will be cuts in supporting staff also, probably about four clerks, seven custodians, and teacher aides. A combination of financial problems and enrollment drop is affecting them.

Despite the fact that they are still growing, Rosemount is having financial problems and will be cutting back some positions on districtwide services.

Roseville has some elementary enrollment drop and is having financial concerns which will dictate cutting teaching staff by six, cutting some supporting staff and one-half time assistant principal.

Enrollment is dropping in the elementary area and increasing in the secondary area in St. Anthony, but they expect attrition to take care of any concerns and don't anticipate cutting staff beyond that.

St. Francis, a growing community, will be adding staff and building a new senior high school. They are going on split shifts and may find it necessary to have portable classrooms or go to some other temporary measure to fill the gap until construction is completed.

St. Louis Park is affected by both financial concerns and some enrollment drop. They have the most concern with enrollment drop this year and are looking at all areas at this time.

St. Paul Schools are experiencing an enrollment drop and are discussing what steps may be necessary, but have not made any decisions at this time.

Shakopee is still growing and will not be making any cuts in their staff.

Spring Lake Park's secondary enrollment is still growing while their elementary enrollment is leveling off. They cut elementary staff by six last year and are watching the legislature to see what the financial picture will be.

Stillwater will not be cutting staff as their enrollment is still growing.

Waconia, experiencing a gradual enrollment increase, will not be cutting staff.

For several years, Wayzata has been involved in program reduction and though their enrollment has increased they have not increased staff. There will be a decrease of four staff in elementary and an increase of four in secondary.

W. St. Paul's enrollment is dropping and they will be needing nine fewer teachers in elementary and three more in secondary for the next year. They are no stranger to financial concerns.

White Bear Lake is growing a little, but are not sure what will happen. They are watching the legislature. If the Governor's proposal is adopted, they will get by next year but will have to cut the second year.

METROPOLITAN AREA BUDGET CUTTING SURVEY SUMMARY

School district	Cutting staff		Reason		
	Teachers	Others	Financial	Enrollment	Both
Anoka	No.	No.		Growing	
Belle Plaine	No.				
Bloomington	No.				
Centennial	Yes	Yes			X
Chaska	No.	No.			X
Columbia Heights	Yes				
Eden Prairie	May			X	
Edina	Yes		X		
Farmington	No.			X	
Forest Lake	No.			X	
Fridley	No.		Concerned		
Golden Valley	Last year		X		
Hopkins	Yes	Yes			X
Inver Grove	No.				
Lakeville	No.				
Mahtomedi	No.				
Minneapolis	Yes	Yes	Largely	Growing	
Minnetonka	Yes	Yes			X
Mound	Yes	Yes	Largely		X
Mounds View	Yes (title)	Yes	do		X
New Prague	No.		X	Growing	
North St. Paul	No.			do	
Orono	Not replacing			Largely	X
Osseno	Little		X	Growing some	
Richfield	Yes	Possible			X
Robbinsdale	Yes	Yes		X	
Rosemount	Yes	Yes			X
Roseville	Yes	Yes	X	Growing	
St. Anthony	Yes	Yes	X	Some drop	
St. Francis	No.	No.			
St. Louis Park	No.	No.		Growing	
Shakopee	No.			Largely	X
Spring Lake Park	No.			Growing	
Stillwater	No.			Growing	X
Waconia	No.			do	
Watertown	No.			do	
Wayzata	No.	No.		do	
West St. Paul	Not increasing			do	
White Bear Lake	Yes			do	X
	Unsure			Growing some	

BROOKLYN PARK RECREATION DEPARTMENT,
Brooklyn Park, Minn., March 16, 1973.

HON. HUBERT H. HUMPHREY,
U.S. Senate,
Washington, D.C.

DEAR SENATOR HUMPHREY: I am writing you to express my concern and disappointment in President Nixon's recent decision to discontinue the Summer Neighborhood Youth Corps Program in 1973.

As a municipality, we have employed disadvantaged youth from the North Hennepin area through the N.Y.C. program for the past six years. These youth have made great contributions to our community park development and our overall environmental protection programs. They have also served in leadership capacities in our summer recreation program.

The N.Y.C. program has benefited not only our municipality, however. We have had many youth come to us that are doubtful of their ability to succeed in the work world. These same youth often leave eight weeks later with the confidence and assurance that they indeed have skills and abilities to offer our society. I honestly feel that if just one individual could find a new worth in himself the program is worthwhile.

I would personally like to thank you for the concern and effort you have shown both as a U.S. Senator and as a civilian for youth problems in our society.

Please consider this letter as a plea to continue your battle for the reinstatement of the Neighborhood Youth Corps Program. My assistance and support on this matter will be 100% if needed.

Sincerely,

MICHAEL R. BASSETT,
Assistant Director.

MINNEAPOLIS PUBLIC SCHOOLS,
Minneapolis, Minn., February 5, 1973.

I am Larry Harris, special assistant to the superintendent for urban affairs in the Minneapolis Public School district. I speak today for Dr. John B. Davis, Jr., superintendent.

I appreciate the opportunity to speak before this committee today to share some of the efforts that our school system is making to provide educational opportunities for all children in Minneapolis which will provide our students with dignity and competency.

The Minneapolis Public Schools currently educate 61,590 students in 92 regular schools and 27 special education stations. In addition to the 61,590 public school students in Minneapolis, approximately 11,800 students attend private or parochial schools.

The Minneapolis Public Schools are governed by a seven member elected citizen's Board of Education. The unpaid board members are elected at large and serve six year terms. Dr. John B. Davis, Jr. has served as superintendent of schools since 1967. He leads a certificated staff of nearly 4,000 persons.

The Minneapolis Public Schools is the largest school district in the State of Minnesota. We face most of the problems confronting the districts in cities throughout the nation.

Loss of students: We have lost 8,560 students since 1968 and estimate that we will lose an additional 5,000 students by 1975.

Concentration of disadvantaged students: 12% of our student body came from AFDC homes in 1968 and 28% in 1973. 11% of Minnesota's families lived in Minneapolis in 1971 including 31% of the State's families on AFDC.

Increase in minority group enrollment: 10.7% of our student body came from minority group families in 1968 and 15.9% in 1972. 80.8% of our black elementary school students attend 12 of our 66 regular elementary schools. 22.8% of our 1,486 American Indian elementary-aged students attend four of our 66 regular elementary schools. Five of our 92 regular schools have a student body of more than 60% racial minority group students, 23 of our 66 elementary schools have minority group enrollments of less than 5%. Our system is currently under an order of the Federal District Court to implement a three-year desegregation/integration plan which involves: the construction of three expanded community elementary schools, addition to five elementary schools and one new elementary school. The Desegregation/Integration Plan calls for changing a number of secondary school attendance boundaries, converting 5 junior high schools into schools serving grades 7-8 and three senior high schools into schools serving grades 9-12. One junior high will serve only 9th graders and one junior high will be completely phased out as a secondary school and converted into an elementary school. This plan will move the district toward integration, but at great dollar costs including: \$19,150,000 for new school construction and school rehabilitation, \$544,000 for in-service human relations training for faculty and staff and \$198,000 in local dollars for transportation. These necessary costs are justifiable, but they come at a time when budget shortages seriously threaten many educational programs.

Concentration of special education students: The Minneapolis Public Schools educate approximately 6% of Minnesota's public elementary and secondary students, but 15% of the state's special education students. We receive tuition from suburban districts to defray the costs of the physically handicapped and hearing impaired non-resident students we educate, but inadequate state support for the vast majority of the special education population in our schools. Ten percent of our 1972-73 local budget will go for the disproportionate number of special education students enrolled in Minneapolis.

We have an old physical plant. Nineteen of our buildings in use are over 76 years of age. We will replace fourteen of the oldest buildings by 1975, but the high cost of land acquisition and the added costs of helping displaced families find new housing units are such that we will not be able to bring our plant up-to-date without outside assistance. The newer school buildings in the suburbs surrounding our city help to attract families who are needed to keep the city viable.

The concentration of low income students and the diversity of population is illustrated in the attached table. The table compares schools serving concentrations of AFDC students with those serving populations with few students from

AFDC families. As part of our ongoing effort to become more accountable to the community we serve, we published a document entitled "Profiles of Performance, which gives socioeconomic and test score data on every school in our district. We have also isolated building by building instructional cost and enrollment/staff ratios for every building in our system for the 1971-72 and 1972-73 school years. The instructional costs per student in the accompanying table are 1972-73 costs. (We have provided a copy of both documents for the Committee Counsel.)

The accompanying table compares elementary schools with the greatest AFDC (54%-73%) student population with nine elementary schools with the lowest AFDC (2%-6%) population. Four junior high schools with the highest AFDC percentage of enrollment (47%-63%) were compared with the four junior high schools with the lowest AFDC (5%-11%) enrollment. Three senior high schools with the highest percentage of AFDC students (24%-39%) were compared with the three senior high schools with the lowest percentage of AFDC students (3%-9%).

You can see that our system has invested heavily in manpower and local instructional costs in the inner city high enrollment AFDC schools. (All of the high enrollment AFDC schools are Title I program schools.) There are significant differences in test scores at all levels.

While the test scores are lower in the high AFDC schools at all levels, note that 36.6% of the graduates of the inner city high schools attend college and that those attending the University of Minnesota had a 2.33 (C) grade point average in the College of Liberal Arts. We must provide a *wide range* of programs at our inner city high schools; remedial, social worker contact, counseling, nutritional service and health facilities along with meeting with the needs of the young American Indian, the future Black leader and the AFDC student who have potential to break the vicious poverty cycle, they need the opportunity for advanced science, access to the computer terminal, and advanced foreign language course just as much as the student in a more affluent area. We are attempting to provide a complete education for the child with limited ability and background and the child with great potential in the same building. To help both move to the maximum of their potential and retain a positive self image while being able to accept others is a great challenge. The staff capabilities, curriculum options and supportive services necessary to accomplish the task are costly.

The heavy input of staff in the high AFDC or inner city schools out of local district funds has been supplemented with federal dollars in an effort to give the best possible educational opportunities and options to disadvantaged youth.

Before looking at some of the ways in which we have used, are using and hope to continue to use a combination of local, state and federal dollars in creative ways, let me share a growing concern in our school system. We are getting increasing pressure from parents in the outer ring of Minneapolis to spend more money on their children. Parents from outer ring schools indicate that their children should have all of the advantages of inner city schools—i.e.; better staff-student ratio; more teacher aides; materials from the Instructional Materials Center and more of the in-service staff development and human relations training which has been provided inner city teachers. We have explained to parents that the Title I funds are dedicated to selected student populations and that we must maintain our effort in the inner city in order to continue receiving Title I funds. Some outer ring parents still want more money spent on their children.

Our state legislature added a dimension to the Minnesota Foundation Aid Program in 1971 which gives each school district in the state $\frac{1}{2}$ additional pupil unit of state aid for each AFDC child in attendance in any public school in the district. This recognition of educational overburden added some 4.5 million dollars to the 1971-72 income of the Minneapolis Public Schools but the percentage of state support of maintenance costs is less than 46% compared to 66% average for all districts in the state.

I will not attempt to cover all of the programs operating in Minneapolis with major or partnership support from federal funds. That would take too much time and you should really have the opportunity to hear from some of our staff who live day-to-day on the line with students. The sample of programs I will try to share with you will point to the range of educational opportunities we provide to disadvantaged youth.

Since support to urban education via the ESEA began in 1965, our system has absorbed nearly \$2 million worth of programs entirely funded with federal money. This has placed a severe strain on our local budget.

Our initial teacher aide program was totally funded with Title I moneys. This year finds \$500,000 in federal funds mixed with \$1,200,000 in local moneys to support some 1,130 aides who add the human power to assist students in our system to learn about themselves as well as subject matter.

The Work Opportunity Center which is a work oriented secondary program for students who could not succeed, for whatever reason, in the traditional setting began with total federal funding. It is now operating with local and state support. \$270,000 local dollars will go into the WOC this school year.

We began a Community Resource Volunteer program under a Title III ESEA grant in 1967. The program now is locally funded and has over 1,292 trained volunteers who visit elementary classrooms to broaden the range of interests and subjects available to our students. The local support of the CRV program last year was some \$55,000 plus a Foundation grant of \$8,300.

The system has also continued local support of a Music Demonstration Center and a Twin City Institute for Talented Youth program initiated under Title III sponsorship.

There are some 10,000 Minneapolis children eligible for Title I ESEA programs. These children attend 25 Title I elementary schools, 5 Title I junior high schools, 3 senior high schools and 7 parochial schools.

The research and evaluation section of our district has coordinated the evaluation of the many programs we have developed to serve Minneapolis students. Evaluation results have led to the modification and improvement of several beginning efforts. We are pleased to see that evaluation reports show growth in reading and math performance in our inner city students. (Summaries of several reports accompany this document and full reports are being sent to the Committee Counsel.)

Our system has used the majority of its Title I funds to teach children to read. When Minneapolis began a Title I Reading Program in 1968, 20 different reading textbooks were used in our schools. Teachers worried that inner city children who move often from school to school tended to become confused and lose ground. The first step was to standardize the reading curriculum and teaching methods in all Title I schools. Two additional steps were then possible: first, a team of reading experts from the Minneapolis Public Schools began creating original instructional materials to go with the books. Second, teachers began attending workshops and University classes to learn how to use the new materials.

New materials were developed for several reasons. They could give children more practice than textbooks can provide. New materials can let children learn in different ways. Children can listen to tapes; they can trace letters; they can flash phrase cards to each other; they can play gin rummy with word cards; they can build words with letter blocks and they can "walk on words". In one inner city classroom I had the pleasure of visiting, a little girl explained to me that I could only walk on the words printed on little paper feet if I knew the words. The easy words were on the long way around the room and the short cut contained the hard words. The idea is to get children actively involved in a lesson and to give teachers more choices in how they teach reading skills.

Separate materials are produced for the primary and intermediate grades by two teams of specialists. Some materials such as that prepared for kindergarten build pre-reading skills. There are tests, too, to help teachers decide what lessons a child needs and to measure his progress.

The final aspect of the program is a cadre of experienced teachers who help classroom teachers "put it all together". They show teachers how to organize the materials, how to decide what materials are best for each child and how to use the progress tests.

The teaching materials used by Title I reading teachers are produced by the Title I Instructional Materials Center which is located in a building in the South Title I target area. The Lehmann Center was sold to the Minneapolis Public Schools by the General Service Administration for \$1.00. The building which we have rehabilitated now contains the W.O.C., Manpower Development and Training Program and other programs as well as the Instructional Materials Center.

The Center operates much like a traditional print shop. It distributes to teachers all of the materials designed by the Title I reading teams. It produces "little books" written by teachers, as well as games, worksheets and tests—all colorful and original. The IMC stresses rapid production for low cost. If a writing team or teacher produces a game, for example, it can be printed, packaged and delivered in one day. This is important for teachers who prepare material to help a student or group of students.

The Center has a library of video taped lessons on how to teach reading. A teacher who wants to brush up on specific ways of teaching reading can go to the Center to see the videotapes. This procedure makes the best possible of lessons prepared by reading experts.

Even though we are moving in a number of directions to help children learn to read, there are still too many fifth graders who may be asked to read a 5th grade science or math book but only read at the second or third grade level. To help these students, the Title I Cassette Program was developed two years ago at Clinton Elementary School (a Title I school). The idea was to record these children's lessons on cassette tapes, so they could learn by listening.

Letting children learn by listening worked so well that soon teachers at other Title I schools wanted cassette lessons, too. The Cassette Program was moved to the Instructional Materials Center where the staff has experience in mass production and distribution of teaching materials.

Last fall, the Cassette Program staff (1972-73 budget \$135,856) supplied each Title I elementary school with 200 cassette tape lessons catalogued and ready for teachers to check out just as they would library books. Another 1000 tapes will be distributed this spring. Each school has assigned a specially trained teacher aide to maintain its library.

There are tapes on language arts, literature for listening, math, science and social studies. Tapes have been made to accompany the basic reading books.

Children like the taped lessons because they can use them themselves. Teachers like the flexibility they allow. One group of children can use the tapes while the teacher works with another group.

We all know that some children in grades 4 through 9 are non-readers or read at the first grade level. These children are embarrassed at their failures. They tune the teacher out, skip or act out in school.

In order to help older children learn to read, the Minneapolis Schools opened two Basic Skills Centers in 1968. The current budget of the Basic School Centers is divided between local funds (157,731) and Title I (179,006). These centers serve about 700 children per year. These children spend 40 minutes each school day at a center—part of the time in the classroom and the rest of the time with individually programmed teaching machines.

Teaching older children to read hadn't been tried much before 1968. The first grade books were too childish for the fourth grader—let alone a junior high student. Center staff had to start from scratch. The new curriculum is called simply "the Beginning Reading Program". The curriculum is based on filmstrips and cassette tapes made especially for Dorsett machines—they look like a small TV and a picture can be found on page 3 of the issue of the "School Community News" attached to this material. Programs for other machines including the Talking Typewriter plus lessons and games for the classroom are coordinated with the Beginning Reading Program.

Teacher aides are an important element in the Basic Skills Centers. They tutor children in the Centers' classrooms. They also help children with all the machines, they answer questions, they encourage and they help provide the human caring element which must be present if the machines are to really help children accomplish the awful challenge of learning to read.

We have no single remedial reading program for Title I junior and senior high students.

Some junior highs send students to the Basic Skill Centers for help but most operate remedial English and math programs in their buildings.

Phillips Junior High School which serves a number of American Indian students is using reading material created by the *Job Corps*. Reading specialists at Phillips have adapted the materials for their students and have added several thousand selections. The result is a collection of books, stories and articles which appeal to teen-agers at every reading level. Students choose what they want to read at their level, then take a test and move on. There are also filmstrips on many subjects. I've watched this program and it has a great advantage. In a class where everyone is using the same material, the poor reader is reminded of

his or her failure every day. The child who can't read well or not at all knows that the other students are on the third page by the time he or she has finished half a page. In the Phillips Job Corps program, there are dozens of pieces of material on each subject at the various reading levels. You can go over something several times and no one else has to know. It's great to watch children who usually dislike school, looking at material that they can read and which isn't Dick and Jane type stuff, but items designed to interest the inner city youth. There is \$35,000 budgeted for this program this school year which will serve some 330 youth. This program will cost about \$106 per participant but could well be the supporting kind of program which will help a youth stay in school.

One of our inner city junior high schools and one inner city senior high school are using a different approach. Their remedial reading classes leave their building and go out to a mobile van parked on the school grounds. The vans contain Dorsett teaching machines—the TV-like machine used in the Basic Skill Centers. The lessons are different. Curriculum takes off where the Basic Skill Center material leaves off—at about the fourth grade level. The curriculum is aimed at helping students learn new words and understand more of what they read. Each van serves about 280 students a year or 70 per quarter. Each van is staffed by a teacher and a teacher aide. The budget for the vans for 1972-73 will be \$48,674 or about \$173 for each secondary student. Part of the costs cover developing additional material for the participating students.

We have tried to develop options for students who normally cannot succeed in the traditional school setting. I mentioned the Work Opportunity Center earlier. At the junior high level, the Lincoln Learning Center and the Bryant YES (Youth Educational Services) Center are small junior high schools in non-school settings.

The Lincoln Learning Center is housed in a small factory building in an urban renewal area. The program serves some 50 boys with a heavy emphasis on tying learning to real life work experiences.

The Bryant YES Center is located on the grounds of the main plant of a local industry—the Honeywell Corporation. Each year 50 boys and girls who are behind in school, who lack interest in learning and who need to gain self-confidence attend classes at the YES Center. Junior high is a tough age for all kids—and for the YES kids it has been really rough—almost all of the had-been problems in their regular school and often at home and in the community.

At YES students find a specially trained staff of teachers committed to giving them a new start. Every youth gets a chance to succeed. Each student has been helped to set short term goals that he or she can reach. Progress is often slow, but progress builds upon progress. The Center has support from Title I, from the local district, from special education and a grant from the Safe Streets Act, plus help from the Honeywell Corporation. The Lincoln Learning Center has assistance from General Mills and several other corporations. We have moved to involving the business community as partners in inner city education.

The attention paid to students, setting goals, visiting parents and helping students to help each other has paid off at the Bryant YES Center. Standardized tests in the last year have shown that the students have made "excellent progress in reading" and "good progress in math." The self-control and self-confidence these students are gaining may even be more important than the academic growth. The school system has developed a Title I Math Program which is based on the same principles as the reading program. Skilled teachers are developing material to make math meaningful and enjoyable to inner city students. Teachers are being trained to use the new material and the Instructional Materials Center turns out the material at much less than commercial costs. The Math Basic Skills Development Project serves the five Title I junior highs. Workbooks on math are being developed for students with limited reading ability. All of us can remember the "word problems" that many students couldn't compute because they couldn't read the problem.

I could go on describing programs, but that would make it seem that we do not really face problems. Our target schools (Title I schools) serve neighborhoods which are in constant change and which face the whole gamut of problems of urbanity: high unemployment, health problems, inadequate housing and the works. Students come to school hungry, students come to school with little faith that an education will really help them get work, and many students come to school angry—angry at a nation where their dad can't find work, where their mother is looked down upon because she doesn't have a husband, and angry at a nation where Black was never said to be beautiful until it was said by

Blacks with clenched fists, angry at a school system that sometimes doesn't understand them and responds often slowly as does any massive institution.

We have schools where Black and White kids are expressing hatred toward each other. And this situation is not limited to the inner city. The challenge of how to help our young people learn to treat each other with human dignity may well be the greatest educational challenge of all in the 1970's.

The categorical aid programs which provide federal funds to local school districts are important for a number of reasons. The categorical programs point funds to the children with the most need. They allow partnership funding where federal funds can be combined with local district funds and monies from businesses and foundations to allow new approaches to serving the disadvantaged.

The categorical aid via Title I of ESEA stated loud and clear that the national leadership did want disadvantaged youth to have the best possible education. Parents in advantaged schools who would have the local district spend equal dollars on every child or more dollars in outer ring schools because "our children appreciate and can benefit from an education" are able to tolerate Title I monies going to inner city schools.

Title I—Part C which allows special funds for districts with 5,000 or more disadvantaged students or districts with more than 20 percent disadvantaged students has placed funds in areas of the greatest need. The amount of money has been relatively small (less than \$100,000 per year), but it has enabled us to test new dimensions to the ongoing Title I program. For example, in fiscal year 1972, the program in intermediate reading, which is not a part of the priorities of Part A of Title I was tested with Part C funds at the request of the Parent's Advisory Committee. In fiscal year 1973, Part C funds have been used to initiate primary level math labs for Title I children in five target I elementary schools. Parent and teacher involvement has enhanced the programs we have developed under Title I, Part C.

There is great need for federal support for students residing in public housing projects. In addition to the loss of local tax base, the district faces a unique concentration of multiple disadvantaged students. The majority of the elementary age students residing in public housing projects in Minneapolis attend two northside elementary schools. These two schools have a combined population of 1,148 students of whom 67 percent come from AFDC families and 68 percent from minority group homes. The per pupil instructional cost for 1972-73 will be \$931.51 compared to \$742.16 for all elementary students and \$696.70 for students from a group of schools with low AFDC populations. Fifty-eight percent of all adults in Minneapolis in 1970 had completed high school, but only 35 percent of the adults in the area served by these two elementary schools. The lack of educated adults limits the leadership for community support of students.

The fourth grade ability tests given city-wide show 23 percent of all students below average and 23 percent above average. These two elementary schools fourth graders scores showed 46 percent below average and only 7 percent above average. There must be continued compensatory and developmental programs for these students from public housing projects if the children from these concentrations of poverty are ever to take their place as producing rather than consuming members of society. There is great need for immediate federal support for them while they are still children.

The schools of urban America have been given the challenge to serve student populations which are growing progressively more disadvantaged. The citizens of urban America will not provide the resources to do the job unless the federal government gives leadership through the dedication of funds to serve those children who have no real voice of their own.

EDUCATION AND AFDC

MINNEAPOLIS PUBLIC SCHOOLS

A review of Profiles of Performance and the 1972-1973 Expenditures by School Buildings shows interesting relationships between the percentage of AFDC students in a school population, test scores, attendance, pupil-total staff ratio and instructional costs per student.

Schools involved in this comparison include:

Elementary: Armatage, Bethune, Burroughs, Fulton, Hall, Harrison, Hay, Kenny, Kenwood, Lake Harriet, Mann, Northrop, Page, Wenonah, and Willard.

Junior High: Anthony, Bryant, Franklin, Lincoln, Nokomis, Phillips, Ramsey and Southwest.

Senior High: Central, Henry, North, South, Southwest and Washburn.

Six elementary schools with the greatest AFDC (54%-73%) student population were compared with nine elementary schools with the lowest AFDC population (2%-6%).

Four junior high schools with high AFDC percentage (47%-63%) were compared with four junior high schools with lowest AFDC percentage (5%-11%).

Three senior high schools with the highest percentage of AFDC students (24%-39%) were compared with the three senior high schools with the lowest percentage of AFDC students (3%-9%).

	City	High AFDC	Low AFDC
Students—Elementary.....	31,252	3,661	4,064.
AFDC.....	27 percent	63 percent	5 percent.
Percent high school graduates among adults.....	58 percent	44 percent (31-54 percent)	78 percent (64 to 85 percent).
Number of students per total staff.....		16 equals 62.5/1,000.....	20.6 equals 48.5/1,000.
1972-73 instructional costs.....	\$742.16	\$819.18 (\$727.42 to \$980.15)	\$696.70 (\$646.67 to \$767.01).
4th grade school ability:			
Above average.....	23 percent	8 percent (2 to 13 percent)	40 percent (29 to 48 percent).
Below average.....	23 percent	40 percent (28 to 69 percent)	6 percent (1 to 10 percent).
6th grade reading comprehension:			
Above average.....	23 percent	6.5 percent (3 to 9 percent)	45 percent (24 to 64 percent).
Below average.....	23 percent	49.6 percent (44 to 60 percent)	7.2 percent (2 to 16 percent).
October to December attendance Oct. 9, 1972—Dec. 5, 1972.....	94.52 percent	91.74 percent (3.63 percent)	95.37 percent.
Students—Junior high.....	13,479	2,982	3,838.
AFDC.....	23 percent	52.3 percent	7.8 percent.
Percent high school graduates among adults.....	58 percent	46.9 percent (37 to 53 percent)	81.31 percent (47 to 83 percent).
Number of students per total staff.....		14.8 equals 67.6/1,000.....	19.2 equals 52.1/1,000.
1972-73 instructional costs.....		\$620.16 (\$510.04 to \$711.56)	\$585.03 (\$523.56 to \$680.05).
7th grade ability:			
Above average.....	23	8.02 percent (4 to 13 percent)	36.4 percent (24.48 percent).
Below average.....	23	41 percent (38.48 percent)	11.2 percent (8 to 14 percent).
Attendance: Oct. 9, 1972, to Dec. 15, 1972.....	91.67 percent	88.40 percent (5.61 percent)	94.01 percent.
Students—Senior high.....	15,762	3,989	4,880.
AFDC.....	15 percent	32.7 percent (24 to 39 percent)	5.9 percent (3, to 9 percent).
Percent high school graduates among adults.....	58 percent	47 percent (42 to 53 percent)	67.2 percent (50 to 80 percent).
Number of students per total staff.....		18.4 equals 60.9/1,000.....	20.4 equals 49.0/1,000.
1972-73 instructional costs.....	\$605.44	(\$593.25 to \$639.41)	\$521.22 (\$489.32 to \$572.10).
1970 senior act 18.9 norm.....	19.9	17.6 (17-18.1)	20.6 (20-21.1).
Percent attending college.....	46 percent	36.6 percent (32 to 44 percent)	53.2 percent (37 to 63 percent).
CLA grade average all frosh.....	2.63 all frosh	2.33 (2.24-2.38)	2.69 (2.51-2.82).
Attendance Oct. 9, 1972—Dec. 15, 1972.....		82.17 percent (10.91 percent)	93.08 percent.

[From the Congressional Record, Oct. 3, 1972]

Mr. HUMPHREY. I want to thank the Senator from Washington for yielding to me.

The reason I ask the Senator from Washington to yield to me is to discuss with him for a very few minutes a critical situation prevailing in Minnesota, relating to the University of Minnesota Medical School and the new medical school at Rochester, Minn., known as the Mayo Medical School. My colleague (Mr. Mondale) and I have been contacted by our fellow citizens in Minnesota at the university and at Rochester relating to these two projects, I shall be brief about them.

The U.S. Public Health Service, the NIH, and the Department of Health, Education, and Welfare came to the University of Minnesota and asked it to expand its teaching program for doctors and assured the University of Minnesota that if they would add the additional physicians and the additional students for medical education, that funds would be forthcoming to provide the facilities and the space there.

The State Legislature of Minnesota has made its appropriate allocations on the amount of money required for each student. This expanded program of medical training requires the construction of a \$20 million building for which the State is putting up \$8 million and on which there was a request for slightly over \$12 million under the medical school construction grant program, with respect to the University of Minnesota Medical School. The Mayo Medical School,

which has just been authorized by our legislature, made a request for \$4,600,000. This application was for an HEW facilities grant in support of the new medical school under the Health Manpower Training Act of 1971.

I should note for the record that the House committee report on the Comprehensive Health and Manpower Training Act of 1971 had this observation to make:

The Committee is aware of proposals by several outstanding institutions—including the Mayo Clinic in Rochester, Minnesota—to establish new schools of medicine, osteopathy or dentistry. The bill (section 106) provides new authority for "start-up" grants to assist certain new schools in meeting their initial costs of operation.

The report goes on to say:

The bill includes two companion provisions for new schools which, because of the use that will be made of existing facilities (including Federal medical or dental facilities) will be able to accelerate the date on which they can begin their teaching program. The bill provides that priority shall be given to applications for grants for *construction of teaching facilities* for such schools, and special consideration shall also be given to applications from such schools for *start-up grants*.

I have read those portions of the report because the Mayo Medical School, through the State of Minnesota, its legislature, and through the Mayo Clinic, has provided most of the facilities needed for this medical school. It seeks, under the terms of the Health Manpower Training Act, \$4,600,000.

This request was turned down.

I am certain that my distinguished senior colleague (Mr. MONDALE), the Presiding Officer in the chair at this moment, would agree with me that we have made every solicitation we can on behalf of these two meritorious programs.

In the pending bill, there is money for medical school construction. As I recall it, the President, in his budget for fiscal 1973, did not ask for any such money but Congress did put it in. When the President vetoed the first Labor-HEW appropriations bill, the respective committees of the Senate and the House put the money back in the subsequent appropriations measure.

There is a variance between the House and Senate figures but, hopefully, the Senate figure will prevail.

I want the record to indicate, first, that the University of Minnesota was promised these lands by the Department of Health, Education, and Welfare and, therefore, the university appealed to the Minnesota State Legislature for the funds that the State had to put up. The State has responded. The students are enrolled. The medical school is an established and venerable institution.

The Government of the United States has broken faith with the University of Minnesota Medical School. It has broken its word. It has not permitted the grant to be made, despite the fact that the appropriate office of the Department of Health, Education, and Welfare has said this is one of the best applications filed. The same thing prevailed in the instance of the Mayo Medical School application for partial funding for construction and new facilities. I have a report of a conversation between Dr. Robert Knouss, Acting Chief, Physician Education Branch, Division of Physician and Health Professions Education, National Institutes of Health, and David Barnes. This is a report and conversation signed by Dr. Raymond D. Pruitt, dean of the Mayo Medical School, which reads in part:

Mr. David Barnes and I participated in this conversation with Doctor Knouss, who provided us initially with this information: The Mayo application for a construction grant was an altogether acceptable application. The reviewing bodies, including the Health Manpower Council, found in it many good points; they felt that the success of the educational program, meaning the medical school, was assured. The proposal, which would "place all teaching functions under a single roof," would be a highly desirable development.

Mr. President, I shall ask to have printed in the Record this statement and the reports I have here relating to these two applications, and also a copy of a letter that I had written to the distinguished chairman, the Senator from Washington (Mr. MAGNUSON) and, if the chairman has no objection, his response as well.

My appeals to the Department of Health, Education, and Welfare have been essentially oral, over the telephone, and in personal visitations; but it would be the purpose of this statement on my part and on behalf of my colleague (Mr. MONDALE) to have the Department of Health, Education, and Welfare know that these are meritorious applications and they have been considered by the

appropriate authority in government. They are applications which were originally initiated at the request of the Department of Health, Education, and Welfare. I want those responsible for making these grants to take note of this colloquy in the Senate and forthwith to provide the funds that they promised they would provide.

It was one thing when there were no funds, resulting from the full commitment of fiscal 1972 funds. However, under the pending legislation, fiscal 1973 funds will become available. I hope there will be as much interest in making these funds available for these important medical educational facilities as there must be if our national commitment to meeting the critical need for increased health manpower resources is to be carried out.

Now I should like to direct certain questions to the distinguished Senator from Washington (Mr. MAGNUSON).

Mr. President, am I correctly informed, may I say to the distinguished chairman, that if that appropriation, after the conference, of \$125 to \$130 million or more, that there will be funds available to take care of some of these projects that I have mentioned here?

Mr. MAGNUSON. Mr. President, may I state to both Senators from Minnesota that I know what has happened to them and what has happened to the University of Minnesota and the matter relating to the assurance that something will be done at Mayo. There is a long history in this particular field of broken commitments.

What happened was that we appropriated in fiscal 1972 \$139 million.

Mr. HUMPHREY. The Senator is correct.

Mr. MAGNUSON. What did they do downtown? They stretched this out over a 2-year period. So, therefore, they had to come back and say to those people who went to all of this trouble because, in fact, they encouraged them to do so and told them to go ahead, that they did not have any money. That is because they requested zero for medical school and nursery school construction in the 1973 budget—even though we all know about the great need and the shortage of 50,000 doctors and even more nurses. So they turned this down. It has been done on other occasions.

I hope the changes it. I hope that someone is hearing what I have to say. I am sure that the rest of the members of the committee feel the same way. So, in 1973, what did they come up with in the budget. They came up with zero for the building construction grants.

The vetoed bill contains \$140 million. The new bill that the House sent over does bring it down to \$87.5 million. But when we talk about the chances of getting these things done where the people have made these commitments and everybody is ready to go—and they are probably the most needed projects in the United States for the future—all the President could do under this bill with the \$140 million would be to cut it by up to \$14 million and it would still put us, as the Senator says, in the ballpark with respect to getting these needed things done. I hope the President does not cut it a nickel. After all, we just saved him \$4 billion in defense appropriations.

I assure the Senator from Minnesota of my support.

Mr. HUMPHREY. Mr. President, I thank the Senator from Washington.

Mr. President, I ask unanimous consent that the letter from Dr. Emmerson Ward, chairman of the board of governors of the Mayo Clinic, be printed in the RECORD.

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

MAYO CLINIC,
Rochester, Minn., September 15, 1972.

HON. HUBERT H. HUMPHREY,
U.S. Senate,
Old Senate Office Building,
Washington, D.C.

DEAR SENATOR HUMPHREY: Mrs. Margaret Thompson, Registrar of Mayo Medical School, has told me about her conversation with you regarding the recent adverse decision on our \$4,800,000 application for a Health Education Facilities Grant in support of our new medical school under the Health Manpower Training Act of 1971. Needless to say, we were extremely disappointed that our grant application was not funded. Of course, we realize what a difficult administrative decision it must have been, to try to allocate funds to the many health professional schools when the available funds were so limited. Our intent is not to

criticize HEW in making these awards. However, we thought that you would be interested to know about our problems.

Mrs. Thompson has told me that you would like some supporting data regarding the medical school and the grant application; I have enclosed a number of references, among which is the Mayo Medical School brochure. When Mayo Medical School accepted its first class on Monday of this week, it did so with limited physical facilities. Nevertheless we are most enthusiastic about the future of Mayo Medical School, given the prospect of reasonable financial support from the public and private sectors. We have a fine class of 40 students.

Another enclosure is a brief summary of our grant application requesting \$4,600,000 for partial funding of construction of medical school facilities. This will explain the nature of our program and may answer many questions regarding our physical facilities and plans for the future.

An enclosure from our annual report points out that Mayo has embarked upon a very ambitious development program of its own to raise funds to support medical education. We are certainly grateful that the Minnesota Legislature has seen fit to support our program by providing capitation of \$8,000 per Minnesota student. Private individuals, corporations and foundations also have provided generous support. Thus you can see that we are not looking to federal sources for all, or even most, of our funding.

However, we were hopeful that we would receive assistance for construction of some of the needed facilities through the Health Manpower Act, and, as a matter of fact, we were led to believe that Mayo stood rather high on the priority list because it is a new school, it has some existing facilities and an existing faculty, and hence could be developed much more economically and expeditiously than would otherwise be so. You will note in the House Committee report on the Health Manpower Training Act, page 32 (enclosure), that Mayo was singled out by name as the kind of school that would have high priority. It only compounds our disappointment that Dr. Robert Knouss, Acting Chief, Physician Education Branch, NIH, acknowledged that our application was altogether acceptable and the design of our proposed facilities was regarded as excellent. A summary of this conversation between Dr. Raymond D. Pruitt, Mayo Medical School dean, and Doctor Knouss, is also enclosed for your information.

On reading in the *Rochester Post-Bulletin* your comments before the American Hospital Association in Rochester, we were pleased to learn of your concern about the funding of these grants. We certainly want you to know of Mayo's concerns as well, and will be grateful for any suggestions you might make.

Sincerely yours,

EMMERSON WARD, M.D.,
Chairman.

Mr. HUMPHREY. Mr. President, I ask unanimous consent that a copy of memorandum of conversation with Dr. Robert Knouss be printed in the RECORD, along with a summary of Mayo Medical School application for partial funding for construction of new facilities.

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

SEPTEMBER 11, 1972.

Memorandum of conversation with Dr. Robert Knouss, Acting Chief, Physician Education Branch, Division of Physician and Health Professions Education, National Institutes of Health.

Mr. David Barnes and I participated in this conversation with Doctor Knouss, who provided us initially with this information: The Mayo application for a construction grant was an altogether acceptable application. The reviewing bodies, including the Health Manpower Council, found in it many good points; they felt that the success of the educational program, meaning the medical school, was assured. The proposal, which would "place all teaching functions under a single roof," would be a highly desirable development. That we would be providing 40 new positions for physician education was recognized. The modular design of the facility was regarded as excellent. In summary, there would have been no reason the program would not be funded had there been more dollars available.

Doctor Knouss then went on to say that there were a large number of meritorious projects with only \$142 million to underwrite the costs. There is no single reason that he could define for our project receiving a lower priority than some of the others. He indicated that a simple ratio of number of new places in a medical school class to dollars requested for construction was not the answer,

although it was indeed a very significant component of the grounds for decision.

As regards further grant funds in support of construction, Doctor Knouss was quite pessimistic. He emphasized the negative position of the Administration and presumably of the Office of Management and Budget. One might surmise that if Congress should appropriate additional construction funds and the President should sign the bill, perhaps there would be a revision in the position of the Division on this matter. At the moment that position is almost entirely a negative one.

We shall have to assess our position on the basis of this and other information and determine where we go from here. Obviously, Doctor Knouss can't be of any particular help to us. A protest is unlikely to carry much weight unless we have exhausted what the Federal Administration apparently thinks is an adequate response to the construction needs of the medical academic institutions, namely, guaranteed loans and perhaps interest subsidies.

RAYMOND D. PRUITT, M.D.

SUMMARY OF MAYO MEDICAL SCHOOL APPLICATION FOR PARTIAL FUNDING FOR CONSTRUCTION OF NEW FACILITIES

This application is for a grant in aid of \$4,600,000 under the authority of the Comprehensive Manpower Training Act of 1971 for partial support of the construction of a Life Sciences Building which is necessary to serve the health research and education requirements of Mayo Foundation. The need for this building is particularly evident with the decision to initiate a program of undergraduate medical education with an entering class of 40 students to start in September of 1972. Temporary accommodation of the educational activities of the entering class can be accommodated in a less than optimal manner in existing Mayo facilities; however, the proposed educational program anticipates, in the third and fourth years of the undergraduate curriculum, that there will be significant requirements for the undergraduate within the scientific laboratories of the institution. The proposed Life Sciences Building will provide space for relocation of approximately 30 members of our medical science faculty and provide unfinished space for approximately 25 new additions to that faculty to provide, in large part, facilities and teaching capability for undergraduates in the laboratory fields.

This building has been planned to accommodate the basic medical science departments of Biochemistry, Physiology and Biophysics, Microbiology and Immunology, Pharmacology and Endocrine Research, and provide space for the associated clinical investigative groups who relate intimately with these departments. In addition, the building provides space for the core, or first year program of undergraduate education, other health education research spaces in the building for the purpose of educational experiences for undergraduates, and anticipates the continuation and expansion of the Mayo graduate program within the new facilities made available to the faculty accommodated in the building. The building also contains certain other common spaces to serve all of the programs in the building, including the requirements for animal housing, spaces for human investigation, etc. The faculty located in this building will utilize their research programs and space to provide a meaningful educational experience for undergraduate and graduate medical students in the scientific disciplines of medicine and the health sciences. It should be recognized that similar activities will continue in other facilities in Mayo which may require a revision for their accommodation. This is true, particularly in the Medical Sciences Building, an existing research building in this institution, in the Alfred Building, a research building adjacent to St. Marys Hospital, and will also occur in new Laboratory Medicine Building which will be built from Mayo resources for the purpose of the practice of laboratory medicine, adjacent to the proposed Life Sciences Building. Funds for the revision of space to accommodate the needs of health related research in Medical Sciences and at the Alfred Unit for the conduct of educational programs, and for space in the new Laboratory Medicine Building, are not requested in this application, but it is fully expected that significant educational activities, both at the undergraduate and graduate level, will continue and be expanded in these facilities. Current faculty who will be moving to the Life Sciences Building are now housed in either the Medical Science Building or the Plummer Building of this institution. Space vacated by scientists in the Medical Sciences Building (13,000 net square feet) will continue to be used for research and for undergraduate and graduate education. These disciplines include

the Neurosciences, the Department of Pathology and Anatomy, the activities of Surgical Research, certain of the elements of the Department of Physiology, the Orthopedic Research Unit, Section of Development Engineering and an arm of the discipline of Biochemistry. Others will move to the Life Science Building from the Plummer Building include the Departments of Endocrine Research, Microbiology and Immunology. The space currently occupied by those groups will cease functioning as laboratory space on advice of architects and engineers concerning the structural integrity of the building, or will be reassigned for other institutionally approved purposes including research and education uses.

Information which follows in this application attempts to demonstrate a need for this building for the conduct of health research programs essential to health professions education.

The plan for construction of this building anticipates ground breaking by the end of September, 1972, with excavations, footing, erection of the structural members and enclosing of the building (Phase I) to be provided from Mayo resources and initiated simultaneously with the similar requirements for the Laboratory Medicine Building which will be fully funded by Mayo. The grant application requests funds for facilities for the programs necessary for health education to be accommodated in this building, with the federal funding to commence at the end of the structuring and enclosure phase of this building. The funding requested is for completion of space, all of which is fully dedicated to education programs and health research programs necessary for education. Federal funding will not be requested for Phase I or for the unoccupied space that will be available in this building. Under this proposal, federal construction funds for each new physician produced annually is approximately \$115,000 for each of the first graduate class. It is expected that this facility, with the utilization of facilities currently existing in Mayo, will accommodate our educational requirements for the foreseeable future, including those for a new program of undergraduate medical education.

MR. HUMPHREY. Mr. President, I ask unanimous consent that the exchange of correspondence with the distinguished chairman, who has been most helpful, be printed in the RECORD. And may I say that the distinguished ranking minority member of the committee, the Senator from New Hampshire (Mr. COTTON), has also been most helpful, and that I have also spoken with the ranking minority member, the Senator from North Dakota (Mr. YOUNG). I thank all of them for their consideration and cooperation, and I want the RECORD to note that they have been exceedingly cooperative and helpful, for which I am extremely grateful.

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

U.S. SENATE.

Washington, D.C. September 15, 1972.

HON. WARREN G. MAGNUSON,
Chairman, Subcommittee on Labor, Health, Education, Welfare and Related Agencies, Committee on Appropriations, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: I am writing to you on what I consider a high priority item for the people of Minnesota and states surrounding my state. I have been informed by some of my good friends in the medical school at the University of Minnesota that the University has been denied funding for a new medical building.

After hearing the facts surrounding this decision by the Department of Health, Education and Welfare, I am certain that you will agree with me it is another case of the federal left arm not knowing what the federal right arm is doing.

The University of Minnesota was pressured by the Public Health Service into increasing its medical student training program from 160 to 230. The University complied with this request under the clear assumption that it would receive funds for its new medical building. There was a clear indication from the Department of Health, Education and Welfare that such funds would be forthcoming on a first priority basis.

Now, I am told that the Department of Health, Education and Welfare has decided against funding the University medical building—a clear violation of what I understand to be a hard and fast promise by the Department. In other words, the federal government says on the one hand, increase the medical students and we will give you money for the building. But a little while later the

federal government says now that you have increased students you can get along with the facilities you have. As one of my close friends in the medical school told me, "It is like being told to practice and teach medicine on a curb stone."

The building in question is primarily a teaching building with class rooms, laboratories, faculty offices and an outpatient clinic. The University has applied for \$12.8 million of the \$19.8 million it would take to construct the building.

I do hope that you can help me in this matter. It is critical to my state and other states surrounding Minnesota. Our supply of doctors is short—especially in the rural areas. And the University does a first rate job of medical training—both in paramedical programs and allied health professions.

Best wishes.

Sincerely,

HUBERT H. HUMPHREY.

U.S. SENATE,
COMMITTEE ON APPROPRIATIONS,
Washington, D.C., September 25, 1972.

HON. HUBERT H. HUMPHREY,
U.S. Senate,
Washington, D.C.

DEAR SENATOR HUMPHREY: Thank you for your letter of September 15 regarding construction funds for the University of Minnesota medical school. I completely agree that it certainly does seem to be an inconsistent Federal policy which would, on the one hand, encourage medical schools to increase the capacity of their training programs—and then, with the other hand, fail to request funds for the necessary medical school construction grants. But that is exactly the policy proposed by this Administration in its FY 1973 President's budget request. Despite the overwhelming need for increased medical school capacity, the 1973 President's budget recommended zero—nothing—for construction of medical and related schools, a decrease of \$140 million from the prior year's level.

In processing the first Labor-HEW bill, the Congress attempted to remedy this obvious discrepancy by including \$140 million in the bill for medical school construction in order to continue the program at the previous year's level. But the President vetoed the bill which would have provided a more nearly adequate level of funding for medical school construction grants.

Moreover, the President in his veto message, indicated that the amounts in the new bill should not exceed his budget request—while at the same time and in the same document, you may recall that he makes the incredible assertion that the Administration is "second to none" in its concern for America's health.

As you may know, the House, in drawing up a new measure to replace the vetoed bill, has included \$87.5 million for medical school construction grants.

Please be assured that your views regarding the need for medical school construction grants will be given very careful consideration when the Committee deliberates on the second Labor-HEW appropriation bill later this week.

Sincerely,

WARREN G. MAGNUSON,
Chairman, Subcommittee on Labor,
Health, Education, and Welfare.

STATEMENT OF ROBERT A. PODESTA, ASSISTANT SECRETARY OF COMMERCE FOR
ECONOMIC DEVELOPMENT

In response to White House request of November 8, 1972, to "put together a basic book about your current assignment."

A. HOW DO YOU DEFINE YOUR CURRENT ASSIGNMENT?

My assignment is to manage and direct the Economic Development Administration (EDA), which was created by the Public Works and Economic Development Act of 1965, as amended.

In the last two fiscal years, EDA has had an annual budget of some \$250 million. It has a staff of approximately 870—half located in Washington and half as follows:

Regional office	Number of States covered	Number of employees
Philadelphia.....	13	(1) 90
Atlanta.....	8	90
Chicago.....	6	64
Austin.....	5	70
Denver.....	10	52
Seattle.....	8	82

1 79 plus 29 (Agnes flood emergency).

What is its objective?

The official objectives of the agency are:

(1) To reduce the incidence of substantial and persistent unemployment and underemployment characteristic of needy regions, counties, and communities to levels commensurate with the levels prevailing in the national economy.

(2) To improve economic development planning, coordinating, and implementing capabilities at all levels—Federal, state, regional, and local.

(3) To provide a basis for improved coordination of and continuity for Federal, state, and local activities relating to regional economic development, and for more efficient utilization of all resources (Federal, state, local, and private) available for regional and local economic development.

(4) To contribute leadership and practical experience to the formulation of a national development policy and programs which identify the causes of existing economic imbalance, regardless of where they occur, and which attempt to provide economic opportunities in those places capable of growth, thereby increasing the utilization of the nation's total economic and social resources.

Beyond these stated agency objectives, there are these generalized goals and standards by which EDA's performance should be measured. First, it must be recognized that the localities with which EDA deals are often populated by poor, relatively unsophisticated people without ready access to normal political channels. They have come to accept tenuous employment opportunities as a basic fact of life, and they see economic opportunity as something applying to someone else. These traits occur in underdeveloped rural areas as well as in the ghettos of large cities. While the physical circumstances are somewhat different, the basic symptoms—the underlying causes—are distressingly similar.

Against that background: EDA is responsible for providing the wherewithal and know-how for people—and institutions—in these chronically depressed areas to begin to develop increasing confidence in their own abilities to upgrade their own economic destinies. Essentially, then, this general goal is one of providing hope and continuing incentive for people who are psychologically and economically depressed, so that they, with EDA's help, are motivated to help themselves.

A second general objective is to involve the resources of private industry to help achieve some of EDA's economic and social goals. Our enabling legislation sets forth ways in which the program tools of the agency interact with the private sector: With private businesses as beneficiaries of the loan program and investment in public works projects, and with financial institutions involved with lending activities.

The legislation envisions the utilization of public investment to stimulate private investment in areas clearly in need, where private investment might not normally be made. Meaningful new employment opportunities in these areas cannot be created without the active participation and real interest of private business. Accordingly, this objective is also the stimulation of a higher level of local interest and cooperation in a joint governmental/private effort of economic development.

B. WHAT IS ITS CURRENT STATUS?

To say this agency has succeeded in meeting all of its objectives would be presumptuous and blatantly untrue. Nevertheless, EDA has established a track record and can point to many "success stories," details of which can easily be made available upon inquiry. The tools provided to us—(public works grants and loans; business loans; planning, technical assistance, and research capability) are reasonable, and we have suggested only minor modifications in legislative authority.

The statute envisions a relatively high level of annual expenditures through these program tools. But these levels have never been realized in actual appropriations which have generally run between 20 and 30 percent of the total authorization. It is obvious that this constricted funding level inhibits EDA's ability to make the kind of impact of which it is capable. Nevertheless, there is no doubt in my mind that, under constraints presently existing, the agency has made significant contributions to the economies of many individual localities in which it has operated.

EDA has made investments in specific localities, investments which were as well conceived as possible and which have led to the creation of new employment opportunities in the private sector, a strengthening of the local tax base, some alleviation of unemployment, and a greater financial capability of the people living in those communities. We have attempted to be quite selective. It is my considered judgment that where those investments have been made, they have resulted in reaching many of the objectives we have set for ourselves in those places.

EDA has been especially successful in its economic development district program. There are now 134 Economic Development Districts (EDD's) operating with 40 states and comprising 1,051 counties, one-third of all the counties in the United States, and serving a total population in excess of 35 million.

These EDD's are locally controlled by Boards of Directors, comprised of some 4,500 city and county government officials and local leaders from business, industry, finance, agriculture, labor, minorities, education, development groups, and the professions. Fifty-four percent of EDD board members are elected local public officials; 25 percent are businessmen.

The Districts are principally delivery mechanisms for Federal programs in rural areas which have not hitherto been able to compete with the more sophisticated urban areas, and they represent one of the most important developments in local government in this century. Thirteen Federal agencies besides EDA, including HUD, Labor, and HEW, use the Districts to implement their programs.

EDA leads all other Federal agencies in the implementation of OMB Circular A-95, which seeks greater coordination of Federal planning programs. Seventy-five percent of all Districts conform to State Planning District delineations, compared to a conformance ratio of but 63 percent for all LDD's, 50 percent for HUD 701 districts, and 45 percent for HEW Comprehensive Health Districts. In those instances where EDA's Districts do not conform, it is only because of the Governor's request.

Where does it stand?

EDA's legislative authorization expires on June 30, 1973. Late in the last session a bill was passed which, among other things, extended that authorization to June 30, 1977. It was vetoed by the President, in part because of its provisions for accelerated public works and for unemployment compensation for workers displaced by new environmental standards. As of this writing, all EDA funds for the second half of the current fiscal year have been placed in a hold status, in accordance with the President's determination to hold down FY 73 expenditures. And preliminary indications for FY 74 suggest that a decision has been made to de-emphasize the EDA program.

The staff of the House Public Works Committee is currently in the field, and it is a virtual certainty that legislation to continue the program will be considered by both houses some time in 1973.

EDA is manned by an extremely able and dedicated group of people. My relationship with them has been one of the highlights of my assignment here. The various section leaders are directly involved with the programs they administer, and they are dedicated to the general mission of EDA. They were drawn to EDA for a variety of reasons, but it was and is reassuring to me how many of them came because they were convinced of the wisdom and efficacy of the programs they were joining.

C. WHERE SHOULD IT GO?

At the present time, two Presidential initiatives directly affect the future activities of EDA. The first would incorporate its funding authorizations (except for Indian programs) into a fund for Rural Community Development Special Revenue Sharing for distribution to the states.

The second initiative is the proposed Departmental Reorganization which would split EDA's functions between two Departments. The Department of Community Development would receive the public works program and that portion of planning and technical assistance relating to public works. The remainder of the program would be placed in the Department of Economic Affairs.

To a large extent, then, suggestions regarding the future of EDA have been pre-empted by prior executive decisions. Nevertheless, it has to be recognized that Congressional acquiescence in one form or another will be necessary for the implementation of these two Presidential initiatives. Such acquiescence may very well be quite difficult to obtain, and it will depend greatly upon the press of other business and the degree of support that the various affected programs have within their Congressional constituencies. At this juncture it would be almost impossible to predict what the outcome of executive-legislative confrontations on Rural Community Development Special Revenue Sharing or Departmental Reorganization would be.

The Administration should be concerned that there are great areas of the country suffering from chronic unemployment and which are out of the economic mainstream of the country. Accordingly, some measure of Federal interest must be retained in a national or regional economic development program. What the size of that program should be, particularly if Rural Community Revenue Sharing becomes enacted, is difficult to say. But we must not stop trying to upgrade the basic economies of some of the underdeveloped regions of the country, regardless of the presence or absence of revenue sharing.

The Presidential proposal for Departmental Reorganization certainly represents a much-needed realignment. But the haggling among small and large agencies alike over bureaucratic "turf" demeans the Administration and diverts attention from their basic purpose of delivering Federal services and funds to the public.

Additionally, it seems to me, there is a certain inconsistency between attempting to structure government in a way that is responsive and will coordinate with other similar activities, and the attempt to break the programs of EDA apart and redistribute them between two separate super-departments. As I indicated above, while not without its problems, EDA has been able to utilize its various program tools in a reasonably innovative and coordinated manner on behalf of its clientele. Breaking up the organization and the basic spirit of the agency would seem to do violence to the concept of an integrated approach to any activity—in this instance, highly desirable economic development.

What I am arguing for here is *not* an exemption from Departmental Reorganization, but simply a recognition that it is a mistake to discard a tested concept—to "break up a winning team." EDA could be assigned to either DCD or DEA, but in my judgment it is a great mistake to divide and redistribute its functions. One of the principal reasons for its demonstrated ability to respond promptly as needs become apparent is the very fact that the program is as comprehensive and self-sufficient as it is. And the Ash Committee recommendations are in agreement with this position.

At this time when EDA could and should be presented as a major string in the Administration's bow, we find it under siege—under attack from within the White House itself, as some sort of pork-barrel program.

In my view, that attitude is both unrealistic and incomprehensible, not least because it completely ignores the findings of something the President himself requested: In-depth evaluations of EDA by the competent likes of Battelle, Booz-Allen, and others. These experts, while somewhat critical of certain aspects of EDA operations, did find the overall program to be highly successful in carrying out its mission; i.e., long-term economic uplift—Industrial and commercial, not construction, jobs, and higher incomes for the underemployed.

The challenge, it seems to me, is not to render the program impotent, but to reinvest it with a mission and a flavor that are reflective of the economic and social goals and objectives of this Administration. This is a far more difficult task than simply reorganizing the agency out of existence, but the dividends which it can pay are tremendous. In summary, what I am suggesting is this:

(1) That some portion of EDA's authority be retained, regardless of the enactment of revenue sharing, for national and regional purposes in economic development, and

(2) that Departmental Reorganization recognize the integrity of EDA and assign it entirely to DCD or DEA.

Realistically, the compelling consideration—above either of the foregoing—is that this Administration should reevaluate EDA with an open mind. The program does work. The Congress knows it, and legislative history indicates that regardless of executive branch opinion, some such effort will be insisted upon by the legislative branch even over a Presidential veto. I strongly urge the Administration take the initiative and come up with a coherent, coordinated effort such as that suggested by Secretary Stans and work with the Congress in developing an even more comprehensive national economic development program.

What are the opportunities for improvement in accomplishing the objective of your assignment?

Since the nature of my assignment is derived from a specific piece of legislation, that assignment will continue until the statute is terminated or modified. In addition, the assignment will have varied administrative thrusts which depend upon Presidential and Secretarial direction.

Improvements in accomplishing those objectives would appear to revolve around:

(1) proposals designed to improve the legislated authority for carrying out the agency's mission, and,

(2) internal management changes designed to improve delivery of services.

We have pursued both courses rather diligently in the past three years, but I would be the first to concede that further improvement is needed and possible.

We have consistently reviewed the authority available to EDA and made suggestions for modification in both program tools and structure. Many proposals have been formulated, both in legislative package form and as agency initiatives presented to the Secretary or White House. We should continue on this course, attempting to identify places where legislative changes may be necessary or desirable—and, in fact, we are presently investigating, through our research program, the impact of various types of additional incentives for private investment in depressed areas.

We are also examining the structure of the Federal economic development delivery mechanism, to see if more efficient systems and organizations might be found. For example, work is proceeding on delineation of the economic development mandate in a future Department of Economic Affairs, with only those functions assigned to it under proposed Departmental Reorganization.

In addition, we are looking at ways of strengthening Federal assistance through a combination of EDA and the Regional Action Planning Commissions under Title V of the Act.

Changes in program tool authority and organizational structure will probably require legislative action. These studies, therefore, are particularly relevant at this time. Congress will clearly be looking at the Public Works and Economic Development Act early in 1973, and we had best be as prepared as possible for reacting to its initiatives.

Changes in management techniques to improve EDA's internal operations are occurring all the time. But now, with the distinct possibility of significant changes in organization and funding level as a result of Presidential initiatives, we have begun to look at even more basic alterations to our operations.

For example, EDA through its program has become the recognized focal point of both practical and theoretical knowledge and information on economic development and related matters. In the event of reduced EDA budgets and responsibilities, we feel this expertise could be made immediately available to our clientele areas in the form of Federal manpower and technical assistance. Staff presently processing grants to Economic Development Districts can be used to assist those institutions in developing their work programs under Federal agencies supporting them, and implementing action program. We think this is a particularly promising avenue of assistance. It has already become apparent that many small communities need help in connection with how to use the funds recently disbursed by the Treasury under the general Revenue Sharing plan. Our Districts from all over the country are reporting requests for help in this area.

The same type of actions might be taken with staff now processing and monitoring "hardware" program grants. These individuals obviously understand what we have come to call "the local economic development process." That is,

they are aware of the interaction between projects and economic growth and the elements of community leadership needed for sound development. This knowledge is not always directly available to the types of communities with which we deal. If the necessary manpower is available to us, much can be done to deliver this expert knowledge to those communities.

A last area of agency improvement centers about an assessment of some of the things EDA has learned which would be useful in the future formulation of a national development policy. EDA has been able, through its research program, to provide a solid core of theoretical knowledge on economic development. This is probably the best available of such research. (For example, the Brookings Institution publication, "Making Federalism Work," which was widely hailed and used in connection with the "New Federalism," was financed by EDA. Also see attached copy of the John Kain letter.) And this is balanced by knowledge derived from practical operating experience of what will or will not work "on the ground."

Thus, we are now moving into a new selected growth center program designed to determine whether the growth center principle, as derived from theory, can be made to operate successfully in practical application. This demonstration program is intrinsically important to EDA and its legislation, but it is even more significant, when viewed from a national perspective, in identifying means of accommodating future shifts in population and economic investment. I believe that EDA, by acting as an operating laboratory, can make a real contribution to the development of national and regional policies.

D. HOW SHOULD IT GET THERE? WHAT ARE THE STEPS IN FULFILLING THE OBJECTIVES?

I have stated that most of the initiatives contemplated above are already underway, in one form or another. They must, obviously, be conducted within the framework outlined by various Presidential proposals.

In terms of new legislation or reaction to it, our ongoing work should stand us in good stead. While decisions as to legislation are not up to the agency, we can certainly assist the executive branch in working out reasonable positions. In addition, I believe it is incumbent upon us, as professionals in government, to continue to keep the President and Secretary advised on how we feel our mission can be fulfilled and its objectives reached.

A good start has been made on internal management improvements. And we are looking at additional ways of making EDA's expertise available to our clientele. Direction, with a firm hand, has to be exercised to accomplish this change in course. It is difficult to alter one's long-established ways of operating, but we must adapt to changing conditions in reaching our goals.

EDA's objectives with respect to economic development planning and coordination would best be effected by strong expansion of the district program which, with certain minor legislative changes, could be used in almost every area where it is desirable for EDA to work. The agency objectives with respect to unemployment and underemployment will be met only if it is found that the unemployment characteristic of certain areas is tolerable from both economic and social viewpoints. We are very far from that point now. Accordingly, EDA ought to endeavor, with whatever resources are made available, to continue its successful efforts in those areas which have both the need for and a likelihood of responding to such efforts.

In a certain sense, the objectives of an agency such as EDA will never be attained. There will always be places in worse economic shape than others. But such a dichotomy should not, it seems to me, divert us from attempting to bring the people of such places into the economic mainstream of the country. EDA has made a strong attempt, with limited resources, to do just that, and I think we have had a reasonable degree of success. I do not think this Administration should give up trying to help others help themselves.

HARVARD UNIVERSITY,
DEPARTMENT OF ECONOMICS,
Cambridge, Mass., July 11, 1972.

Mr. GARY COOK,
Washington, D.C.

DEAR GARY: Enclosed find my comments pertaining to your 18 questions about a national growth policy. As you will see I did not provide answers to individual questions, but rather prepared a more general statement that I believe

is responsive to the questions as a whole. Also enclosed is a copy of my testimony before the Population Commission concerned with the almost identical question of a national policy for the spatial distribution of population.

I feel I should point out that any useful insights that I may have developed about the issues are the result of nearly six years of research on these and related questions funded primarily by the Office of Economic Research of the Department of Commerce. Indeed a surprisingly large fraction of the existing knowledge about these problems is traceable to the EDA university grant program. Nearly all of the recognized academic experts in these areas have received significant research funding from OER-EDA over the past few years. A partial list would include: William Alonso, George Tolley, Jerry Rothenberg, Dick Muth, Henry Levin, Ben Chinitz, Edgar Hoover, Brian Berry, Niles, Hansen, and Mahlon Straszheim. By comparison, the record of support by either departments of research on these problems has been dismal. If we are to make a successful attack on these problems it will be necessary to both expand the level of research support and to change its character. Existing arrangements do not permit the development of the kind of research needed to significantly understand these problems.

Sincerely,

JOHN F. KAIN.
Professor of Economics.

Mr. COHEN. You might like to have this in the record.

This looks at it from another way. And both Michigan and Minnesota happen to be involved in this matter in the schools of public health.

Chairman HUMPHREY. Yes.

Mr. COHEN. I have here the statement of the Deans of Schools of Public Health which analyzes the impact of this reduction in connection with the repeal of the Hill-Rhodes Act in this area—

Chairman HUMPHREY. Could we have that for our record?

Mr. COHEN. Yes—on all the various institutions in the United States.

And the interesting thing about the public health is, there is not one in every State; there are only about 18. And these are national institutions, not State institutions.

The fact that there is one in Minnesota and Michigan doesn't mean that they are solely Minnesota or Michigan institutions; they are the 18 training grounds for the totality of people in the United States.

And therefore, the Federal Government does have an interest in them that I think is a national interest.

And the total impact on those particular States is very great.

[The statement referred to follows:]

STATEMENT PRESENTED BY DR. MYRON E. WEGMAN, DEAN, SCHOOL OF PUBLIC HEALTH, UNIVERSITY OF MICHIGAN, AND DR. BERNARD G. GREENBERG, DEAN, SCHOOL OF PUBLIC HEALTH, UNIVERSITY OF NORTH CAROLINA

This document is presented in support of continuation of the program of Federal assistance to professional education in public health, passed unanimously by the 85th Congress in 1958, and extended repeatedly since then, always with bipartisan support and unanimous passage.

The rationale for this legislation is based on recognition that preservation of the public health requires more than skills and techniques for treating disease and disability. For example, correction of deficiencies in medical care cannot affect health aspects of the environment. Rather than just reacting to disease, the only rational and economic approach is a judicious combination of prevention of disease and preservation of health, along with improved planning and organization of therapeutic and rehabilitation services.

To prepare the personnel needed to make this approach successful the nation's schools of public health are unique sites, because such preparation differs from other areas of health professionals education in several fundamental ways:

(1) Success in protecting the public health requires that a wide variety of personnel have specialized preparation over and beyond the basic education needed to carry out professional duties on a one-to-one basis. The need to recognize and solve the problems which occur in a group and community environment requires preparation by a faculty comprising persons skilled in various disciplines, including social and natural sciences, interpersonal relationships, and administrative management, working together in an interdisciplinary setting.

(2) The breadth of resources necessary to develop an accredited school of public health makes it difficult and inefficient for all states to have such a school.

(3) The great majority of graduates of schools of public health go into public service—local, state, national or international—for which remuneration is generally at civil service scales, well below what private practitioners in the respective fields earn.

The 18 existing schools thus constitute a national resource, serving all 50 states, the Commonwealth of Puerto Rico, the overseas territories and our international commitments. They prepare, in the words of The Senate Committee on Labor and Public Welfare:

"Public health personnel are in a sense the 'providers' of health services planning, organization, administration, and coordination through which scientific knowledge and skill are brought together with material resources to serve health needs of people in the aggregate." (Senate Report No. 92-1043, p. 2.)

HISTORY OF THE AID PROGRAM AND ITS EFFECT ON PREPARATION OF HEALTH PERSONNEL

The Welch-Rose Report in 1916 was a milestone in its recognition that medicine and physicians could not by themselves combat the conditions and problems that were the cause of excessive mortality and morbidity. Indeed, the rates applying in the so-called developed, wealthy nations then were comparable to those in the developing countries today. Dr. William Welch, then Dean of the Johns Hopkins Medical School and Mr. Wickliffe Rose, President of the Rockefeller Foundation, noted that medical science had to be combined with sanitary science, engineering, social science and management skills for a community approach. As a result of their report the Johns Hopkins School of Hygiene and Public Health was founded in 1916 and received its first students in 1918. It was followed in subsequent years by schools at Harvard, Columbia, North Carolina, Michigan and Yale to meet the steadily increasing demand for graduates. This demand began to escalate sharply in the mid-1950's.

By 1958 financial constraints were making it very difficult for the 11 accredited schools to meet the needs for graduates or to accept more than a reduced percentage of qualified applicants. Funds derived from tuition payments and from state appropriations or endowment funds were quite inadequate to meet educational needs. The situation was aggravated by the increasing number of applicants stimulated by Federal-state collaboration to expand previously inadequate health programs.

The Federal support program that began in fiscal year 1959 was designed to help the schools accept more of the steadily increasing number of applicants, chiefly by supplying the extra funds needed for teaching faculty and teaching support. Existing schools responded promptly to the Federal request by expanding student bodies and new schools were opened.

In 1958 there were 1,230 students enrolled and 772 graduates (11 schools), while in 1971-72 there were 2,159 graduates (17 schools), (Table I) almost three times the number 14 years earlier. Since 1969, as personnel needs of local, state and Federal agencies have mounted, the enrollment has increased even more sharply.

In the Fall Term of 1969, in the then 16 schools (the University of Washington began admitting students in 1970 and Illinois in 1972) the enrollment was 3,438. In contrast, the Fall Term enrollment in 1972 was 5,320, an increase of 50% in the three years (Table I). This increase, at a time when many other university graduate schools were remaining level or had decreasing numbers of applicants, was clearly related to expanding public interest in health care.

During the years this program has been in effect the schools have changed substantially to keep pace with demands for new and different kinds of personnel. With the mounting problems of aging, more attention could be given to non-infectious and chronic disease. With the growing complexity of industrial processes and occupational disease, greater emphasis has been placed on environmental and occupational health. With lower death rates in infancy and childhood more could be done in family and population planning.

At the same time long-standing public health programs, such as control of communicable disease, protection of food and water supplies and protection of maternal and child health, are still vitally important in the community. One has only to read of instances like the recent recurrence of typhoid fever in Florida and diphtheria in Texas, the detection of dangerous foci of poliomyelitis in inner city areas, the disturbingly high rates of venereal diseases, the reports of food poisoning outbreaks and the failure to apply uniformly advances in knowledge of maternal and child health, to realize that neglect of traditional programs pre-*se* as severe dangers to the public as neglect of fire protection might.

In more recent years the changes have been in still other directions. Passage of major health legislation expanding personal health services, comprehensive health planning, the program of bloc grants as well as project grants to state health agencies and the development of neighborhood health centers, has required much larger numbers of administrators, managers and new types of support personnel who understand that health prevention and restoration cannot be approached purely as a market phenomenon. The need will be further increased by any of the various proposals for reducing the financial barriers to medical care.

All of the schools of public health have adapted their teaching programs well beyond previously traditional areas to prepare personnel for new and expanded responsibilities at all levels of government. These personnel, administrators, planners and specialists from almost every discipline in the natural and social sciences, are prepared to work in such areas as: Comprehensive health planning; organization and delivery of health services; family and population planning; nutrition; health problems of the aging; drug abuse and alcoholism; control of quality of health facilities; and health education of the public.

Furthermore, regardless of what agency of government has responsibility for environmental control, the very fact that popular attention has shifted to non-health aspects of protection of our natural resources—air, water, land—makes it vital that the health aspects of the environment not be neglected. Again, the typhoid outbreak in Florida is a case in point. Pathogenic organisms do not recognize social and economic barriers. Moreover, passage of the Occupational Safety and Health Act has imposed an even greater government responsibility for worker health. Schools of public health will need to meet expanded demand for industrial hygienists, industrial nurses, air pollution control experts and administrators of occupational health programs.

Much of the greatest current public concern in regard to health has been over the high costs of medical and hospital care. It is to prepare personnel capable of attacking these problems that the schools have given priority. Only by primary attention to better methods of prevention and by better planning and organization of curative and rehabilitative services can high costs be contained. An approach which is purely an "indemnity-insurance" solution may succeed in spreading costs but will not succeed in taking advantage for society of available knowledge which can lower health costs.

CURRENT NEED FOR PERSONNEL

In former years, information could be readily obtained from the Public Health Service on vacant budgeted positions in health departments, as one measure of personnel need. The last full scale study on this, carried out for the Third National Conference on Public Health Training 1967, indicated that vacant *budgeted* positions, just in state and local official health agencies (not even including non-profit community agencies), for which the post description required one year of graduate training in public health, far exceeded available or anticipated supply. With growing population and expansion of programs like Medicare and Medicaid, the ratio of unfilled positions to available graduates is probably even higher today.

Since the 1967 study, there have been no national scientific studies to establish precise shortages accurately. Nevertheless, studies in a number of states, such as that carried out by a Legislative Study Commission in North Carolina have established needs for personnel far in excess of graduate available.

As part of a study of where graduates of schools of public health are now working and of a series of facts relating to their training, a table has been prepared of the place of employment of the 1962-72 graduates. (Table II). This table was constructed by coding addresses of graduates from which the employment category could be deducted. The data will, of course, need to be corrected when the questionnaires are returned and analyzed, but even this rough as-

sumption gives an idea of the order of magnitude of the various categories. What is most striking is the wide variety of employment these graduates have in government, universities and other forms of public service in the health care system.

In addition to tabulated data available, another practice measure of need is the number of requests that come to educational institutions for graduates in a particular field. At the University of Michigan, for example, the largest school of public health in the country, every program of study reports more job openings and more requests for graduates than are available. As one example, last year there were 50 urgent requests of Masters of Public Health who had specialized in Industrial Hygiene, yet there were only 5 graduates in that field that year.

In contrast to the statement in the budget document,¹ President Nixon's proposed 1974 budget actually further increases the demand for experts on matters of public health. Decentralization of services to state and local levels requires that these units of government directly engage the services of many new people skilled at planning, developing, implementing, and evaluating health service programs. Guidelines and supervision previously provided at the national level must now be prepared and implemented at every local level of government. This emphasis is recommended at many points in the budget message. It is an emphasis which will not conserve public health manpower; it will require vastly increased numbers. In the long run this increase in personnel and their increased emphasis at the local level, may bring enormous benefits to the people served by health agencies and programs. But the workers are simply not now available.

LEGISLATIVE SITUATION

In 1972, when testifying on a Senate bill to extend Sections 306 and 309, Assistant Secretary DuVal, speaking for the Administration, raised no questions about the validity of Federal aid to professional education in public health. He did ask that the legislation be postponed until the current session of Congress to allow these sections to be considered in conjunction with other expiring legislation. Furthermore, the President indicated concretely his support for the program by proposing, in his original 1972-73 budget, increases in levels of support—almost 7% for Section 306, student support, and almost 20% for Section 309, institutional support. On the basis of hearings and testimony, the Congress further increased these levels, indicating that both the executive and legislative branches were aware of increasing need for trained health personnel.

The 1973-74 budget, submitted on January 29, 1973, proposes a complete reversal of previous policy, calling for no extension of the legislation and for complete termination of all aid under Sections 306 and 309 as of June 30, 1973 (Table III). Termination of the formula grant program will affect only the schools of public health, but termination of the traineeship and project grant programs will affect also programs for preparing specialized public health personnel in medical schools, dental schools, engineering schools, business schools and others. Even project grants for which an advance commitment had been given for future years would be terminated because the legislative authority would not have been renewed.

EFFECT OF DISCONTINUANCE OF THESE PROGRAMS

Data collected from the 18 schools of public health show the following immediate effect of the abrupt discontinuance of assistance to the schools.

Institutional support

Capacity of institutions to prepare needed personnel can best be measured in terms of faculty resources. As of the winter of 1972-73 there were a total of 1,415 full-time equivalent teaching positions in the 18 schools (Table IV). The term "full-time equivalent" is used to establish a basis of comparability among the several schools, which vary, for example, in number of part-time instructors, and appointments shared with other schools in the University or with sources other than teaching funds. Thus, the actual number of persons involved is far higher. The data show that the 18 schools had a total of 1,005

¹ "There is evidence of continuing national need for increased numbers of professionals in medicine, dentistry and osteopathy. The same urgency is not evident in other health professional fields." (From page 35, Document of President's Budget, HEW, released January 29, 1973.)

full-time equivalents engaged in instructional activities. This number varied from 119 in the largest school to 23 in the smallest.

The first effect of the President's 1973-74 budget would be to remove all support as of 30 June, 1973 for 34.1% of this teaching faculty, 342.5 full-time equivalents. Some individual examples are even more striking—4 of the schools would have 40% or more of the faculty affected and 2 additional ones would have over 50% of their faculty affected.

Beyond this immediate effect, the announced policy of the Department of Health, Education, and Welfare that all existing training grants would be terminated when current commitments are fulfilled means that the schools of public health will lose an additional 12.2% of teaching faculty in the very near future. In sum, this would mean a country-wide loss in educational resources, as a result of the policy change, of almost 50%.

Despite a consistent effort over the years, to build up university support within the constraints of legislative appropriations and endowments, faculty expansion to meet demand has been even more rapid. If these resources are now dismantled through abrupt withdrawal of support, it will take years to rebuild them and services to people will suffer seriously in the interim, through lack of trained personnel.

Variation by field of study

Because the health programs of greatest current priority are in general those which have come to the fore most recently, they are the ones for which the schools have used a higher proportion of Federal funds and are thus precisely the ones to suffer most severely from the cutback. Table V shows the major groups of fields of study according to the proportion of support from various sources. The areas hit most severely are Health Services Administration, Behavioral Sciences and Mental Health, Family and Population Planning and Nutrition. Most universities, when stimulated by the Federal government and societal needs to expand into these new areas, managed to fund a senior position, at least in part, through reallocation of university funds but the rest of the teaching faculty has come from either a specialized training grant or the Hill-Rhodes (formula) grant. University after university reports this pattern.

Loss of flexibility

One of the great advantages of the formula grant was that it allowed individual institutions to vary the support in accordance with the overall demand for personnel and the particular strength of other resources of the school. For example, a department like biostatistics, one of the fundamental sciences necessary to every student in every field of the school of public health, needs to expand proportionally as the total student body expands. The need for this kind of preparation cannot be measured, therefore, in the need for specialized statisticians as such. In some of the older institutions a nucleus of faculty of biostatistics has long been established, but even this nucleus had to be expanded with growing general enrollment. In the newer schools, on the other hand, there has been even greater need for strengthening in this and other basic fields of instruction.

Many other examples of the value of flexibility may be cited. Indeed, this concept of the formula grant is quite consistent with the general policy enunciated by President Nixon, a policy all of the schools support in principle, that Federal aid should be so adjusted as to allow a maximum amount of decision-making at local level.

Continuing education

One specific example of the catastrophic effect of discontinuance of the formula grant aid is the program of continuing education among the schools in the western part of this country. Because of the extended distances in the west, the widely scattered needs of the various health jurisdictions and the large numbers of personnel needing preparation, a unique consortium was initiated among the schools of public health in the west, now comprising the University of California at Berkeley, the University of California at Los Angeles, the University of Hawaii, Loma Linda University and the University of Washington. The primary goal of the consortium is to enhance the skills and effectiveness of health professionals through the provision of university-level continuing education courses in the field, close to their place of work, thereby minimizing the time away from the job and maximizing the opportunity to maintain contact with the schools of public health. Each of the schools contribute financial

resources to the program, basically from their formula grants. These contributions make up the major portion of the core budget of the program, supporting staff salaries and travel, rent and other operational expenses.

In the past three years this program has offered approximately 37 courses a year with an average attendance at each course of 50 or an average yearly total of 1,855. In the 14-year period nearly 20,000 individuals have completed one or more of the different courses available through this sponsorship. Courses have dealt with immediate problems such as the "mind altering drugs," "community organization," "problems of the socially disadvantaged," and many others. This kind of program illustrates the flexibility of approach which tries to bring professional training as adapted to the changing needs of society and to do it in a way that disrupts as little as possible students' regular activities.

Student support

At the present time among the 18 accredited schools of public health a total of 22.5% of all students, 1,198 in number (Table VI), are receiving some support through the General Purpose and Special Purpose Training Grants, the largest single items under Section 306. The proportion varies from a low of 8% in some schools to a high of 40 or 50% in others.

In addition, 30% of the student body, 1,598, are supported through other Federal training grants. These fields of special priority comprise both specialized professional training, such as maternal and child health, comprehensive health planning or mental health, and research training in such fields as epidemiology, organization of personal health services and environmental control.

Thus, in total, over 50% of all students in schools of public health currently receive some form of Federal support. Discontinuance of student support programs will have a great effect on future admissions even though the schools have been informed that students currently in the midst of programs will be carried through in some way. Just how this will be done or at what level of support is not clear but, in any event these students will still be expecting an educational program, at least for 1973-74, a fact with great implications as to needed faculty.

Change from the existing traineeship program to a guaranteed loan program will sharply limit enrollment of students from disadvantaged groups and from the lower economic strata. The need to maintain a multidisciplinary faculty, to carry on instruction in a number of specialized areas, to handle a mix of students varying widely in age and prior preparation, requires that tuition costs be consistently high. In addition to this, costs for room, board and books have increased steadily. Even with current stipend levels students have a hard time making ends meet. It must be further recalled that because of the nature of the program, many of these students undertake training in mid-career and, thus, usually have a family and other responsibilities making them quite different from the classical undergraduate student who needs relatively little to keep going and can get a job on the side to help support him.

Under the proposed program, it may be expected that students in schools of public health would either come from families with more resources or would, if they did borrow money, gravitate to fields with greater opportunity for financial return than public service, to permit easier repayment of the loan.

In our opinion the discontinuance of traineeship support will have a disastrous effect on personnel for the health services and the resulting shortage of trained personnel will result in higher costs to the general public exceeding any prospective immediate saving to the Federal budget.

SUMMATION

Over the 15-year period that the program of Federal aid to professional preparation of public health personnel has been in effect, the schools of public health and related institutions have expanded steadily to meet society's demands.

Because of high teaching costs and the limited remuneration anticipated by most graduates a small number of schools have become a natural resource and have assumed responsibility for preparation of personnel for all 50 states, the Commonwealth of Puerto Rico, the territories and overseas commitments.

The expansion has been related to need, as reflected in applications and in employment opportunities for graduates in official and unofficial community agencies.

Discontinuance of support for training now, instead of the expansion proposed by President Nixon himself one year ago, will have a catastrophic effect on the availability of trained health personnel for the very program the Administration is advocating.

The end result will be higher cost to society rather than the better health originally envisioned.

TABLE I.—ENROLLMENT AND GRADUATES U.S. SCHOOLS OF PUBLIC HEALTH, 1958-72

Fiscal year ending—	Students enrolled	Degrees granted
1958.....	1,230	772
1963.....	1,848	798
1968.....	3,363	1,337
1969.....	3,525	1,548
1970.....	3,483	1,735
1971.....	4,131	1,782
1972.....	4,802	2,159

TABLE II.—ESTIMATED DISTRIBUTION BY EMPLOYMENT IN 1972 OF PUBLIC HEALTH GRADUATES FROM 1962 TO 1972

Employment category	Number	Subtotal percent	Total percent
Federal.....			14.1
Directly related to public health (HEW, USPHS, HSMHA, etc.).....	876	6.1	
Other Federal, not directly related to public health (State Department, trust territories, AID, FCC, AEC, etc.).....	158	1.1	
Peace Corps.....	29	.2	
Veterans' Administration.....	43	.3	
Armed Forces (includes armed forces hospitals).....	919	6.4	
State.....	1,408		9.8
Local (includes RMP, CHP, city, municipal).....	1,652		11.5
Foreign (includes nonpublic health; for example, Ministry of Education.....	1,063		7.4
Extra-national (WHO, U.N., OAS, NATO, SEATO, etc.).....	230		1.6
Hospitals and ambulatory care facilities (except university hospitals, USPHS and Armed Forces hospitals).....	3,348		23.3
Universities.....			25.4
Schools of public health.....	1,149	8.0	
Medical and nursing schools and hospitals where teaching is primary activity.....	1,379	9.6	
Other university.....	1,121	7.8	
Industry (includes profitmaking organizations; for example, engineering, pharmaceuticals, communications).....	359		2.5
Health-industry (includes public health directed profitmaking organizations; for example, insurance and casualty firms).....	57		.4
Foundations.....	417		2.9
Professional organizations.....	29		.2
Nonprofit organizations (Kaiser Permanente, Blue Cross, etc.).....	86		.6
Labor unions.....	0		.0
Self-employed.....	43		.3
Total.....	14,366		100.0

Source: Personal communication from Dr. Arthur H. Richardson, project director, ASPH-BHME contract study. Estimates are based on a weighted extrapolation of the distribution by employment of 5,771 graduates who had codable addresses. The remaining 8,595 graduates (14,366 in all during the 1962-72 period) were either listed by home addresses or had addresses not codable by employment category.

TABLE III.—APPROPRIATIONS

Fiscal year ending—	Sec. 306 appropriation ¹	Sec. 309(a) appropriation ²	Sec. 309(c) (formerly 314(c)) appropriation ³
1957	1,000,000		
1958	2,000,000		
1959	2,000,000		450,000
1960	2,000,000		1,000,000
1961	2,000,000	1,430,000	1,000,000
1962	2,000,000	2,000,000	1,900,000
1963	4,000,000	2,000,000	1,900,000
1964	4,195,000	2,000,000	1,900,000
1965	4,500,000	2,500,000	2,500,000
1966	7,000,000	4,000,000	3,500,000
1967	8,000,000	5,000,000	3,750,000
1968	8,000,000	4,500,000	4,000,000
1969	8,000,000	4,917,000	4,554,000
1970	8,000,000	4,917,000	4,554,000
1971	8,400,000	4,517,000	5,054,000
1972	8,400,000	4,517,000	5,554,000
1973:			
President's budget	9,000,000	6,000,000	5,940,000
Revised budget	9,000,000	5,940,000	0
1974	0	0	0

¹ Sec. 306—Traineeship support, general purpose (schools of public health only), special purpose, short-term training programs, and certain other specialized programs.

² Sec. 309(a)—Project grants for institutional support, for programs judged to be especially needed, open to any nonprofit institution or agency.

³ Sec. 309(c)—Formula grant; total sum divided among all accredited schools of public health, $\frac{1}{8}$ equally and $\frac{3}{8}$ in proportion to federally sponsored students.

TABLE IV.—SOURCE OF SUPPORT FOR TEACHING FACULTY AS PROJECTED FOR JULY 1, 1973

(Number of faculty shown as full-time equivalent)

School	Total faculty	Teaching faculty ¹	Federal grants						Non-Federal training grants	
			University funds		Terminated June 30, 1973 ³		Terminated later ⁴		FTE	Percent
			FTE	Per- cent ²	FTE	Per- cent	FTE	Per- cent		
California-Berkeley	66.7	65.2	32.7	50.2	18.5	28.3	14.0	21.5	0	0
California-UCLA	48.5	47.0	26.0	55.3	16.4	35.0	4.6	9.7	0	0
Columbia	53.6	34.6	7.9	22.8	20.1	58.1	6.6	19.0	0	0
Harvard	92.2	41.1	21.7	52.8	10.6	25.7	8.9	21.6	0	0
Hawaii	47.6	46.6	19.8	42.5	21.0	45.1	4.8	10.3	1.0	2.1
Illinois	28.2	28.2	26.2	92.9	2.0	7.1	0	0	0	0
Johns Hopkins	200.5	75.6	23.6	31.3	30.9	40.9	21.0	27.8	0	0
Loma Linda	74.0	73.5	47.0	63.9	21.5	29.2	5.0	6.8	0	0
Michigan	126.0	98.3	54.0	55.0	33.9	34.5	10.4	10.6	0	0
Minnesota	62.3	50.6	21.1	41.7	16.2	32.0	10.3	20.4	3.0	5.9
North Carolina	158.5	119.1	60.4	50.7	46.8	39.3	11.0	9.2	1.0	.9
Oklahoma	56.2	48.6	29.4	60.5	14.3	29.4	1.0	2.1	3.9	8.0
Pittsburgh	99.4	65.9	26.3	39.9	30.3	46.0	8.2	12.4	1.2	1.7
Puerto Rico	70.8	64.8	24.8	38.2	29.8	45.9	4.5	7.0	5.8	8.9
Texas	48.6	46.6	39.6	85.0	5.2	11.3	1.8	3.8	0	0
Tulane	93.2	58.2	17.3	29.7	12.5	21.5	5.9	10.2	22.5	38.6
Washington	69.7	36.0	18.5	51.3	6.1	17.0	4.9	13.7	6.5	18.1
Yale	36.6	22.5	12.5	55.6	8.4	37.1	1.7	7.4	0	0
Total	1,432.6	1,022.4	508.6	49.7	344.5	33.7	124.4	12.2	44.8	4.4

¹ Excludes faculty supported on research funds.

² Percentages expressed as percent of teaching faculty.

³ Includes support under 309c (formula grant), 309a (project grants), and training grants which are competing for renewal.

⁴ Noncompeting training grants.

TABLE V.—PERCENTAGE DISTRIBUTION OF FULL-TIME EQUIVALENT INSTRUCTIONAL STAFF, ALL SCHOOLS OF PUBLIC HEALTH, BY SOURCE OF SUPPORT AND BY PROGRAM AREA

Program area	Source of support								
	Total	Federal support							Non-Federal training grants
		Univer- sity funds	Terminating June 30, 1973				Training grants terminat- ing later ¹	Training grants later ²	
			Total	Formula grants 309(c)	Project grants 309(a)	Training grants ¹			
Health services administra- tion.....	100	40.5	43.1	20.2	4.1	18.8	11.3	5.1	
Biostatistics.....	100	56.1	30.0	23.3	.5	6.2	13.2	.7	
Epidemiology, infectious dis- eases and related areas.....	100	60.2	27.0	22.3	1.6	3.1	12.4	.4	
Population studies, maternal and child health, family planning.....	100	24.3	34.9	10.8	4.3	19.8	19.0	21.8	
Environmental health.....	100	61.3	28.5	23.5	.4	4.6	8.7	1.5	
Nutrition.....	100	50.5	33.8	2.6	11.8	19.4	15.7	.....
Behavioral science, mental health and related areas.....	100	40.8	38.6	28.2	3.3	7.1	18.6	2.0	

¹ Competing renewals.² Noncompeting renewals.

TABLE VI.—STUDENTS ENROLLED IN SCHOOLS OF PUBLIC HEALTH—FALL TERM 1972—SHOWING SOURCE OF FINANCIAL SUPPORT

School	Total number students	Sec. 306 ¹ PHS Act		Other Federal sources		University funds		Other non-Federal sources		Self support or unknown	
		Num- ber	Per- cent	Num- ber	Per- cent	Num- ber	Per- cent	Num- ber	Per- cent	Num- ber	Per- cent
		California, Berkeley.....	348	139	39.9	108	31.0	6	1.7	29	8.3	66	19.0
California, UCLA.....	381	162	42.5	53	13.9	0	0	13	3.4	153	40.2
Columbia.....	154	41	26.6	43	27.9	3	1.9	12	7.8	55	35.7
Harvard.....	217	19	8.8	118	54.4	14	6.4	29	13.4	37	17.0
Hawaii.....	146	75	51.4	44	30.1	0	0	6	4.1	21	14.4
Illinois.....	37	9	24.3	2	5.4	0	0	9	24.3	17	45.9
Johns Hopkins.....	489	52	10.6	225	46.0	36	7.4	74	15.1	102	20.8
Loma Linda.....	256	64	25.0	15	5.8	13	5.1	10	3.9	154	60.2
Michigan.....	690	181	26.2	255	37.0	63	9.1	60	8.7	131	19.0
Minnesota.....	356	60	16.8	113	31.7	0	0	60	16.8	123	34.6
North Carolina.....	494	92	18.6	207	41.9	41	8.3	67	13.6	87	19.6
Oklahoma.....	214	19	8.9	61	28.5	6	2.8	3	1.4	125	58.4
Pittsburgh.....	367	44	12.0	108	29.4	15	4.1	18	4.9	182	49.6
Puerto Rico.....	415	96	23.1	77	18.6	11	2.6	105	25.3	126	30.4
Texas.....	292	24	8.2	34	11.6	0	0	19	6.5	215	73.6
Tulane.....	228	28	12.2	45	19.7	17	7.4	39	17.1	99	43.4
Washington.....	112	34	30.4	59	52.7	0	0	4	3.6	15	13.4
Yale.....	124	59	47.6	31	25.0	5	4.0	6	4.8	23	18.5
Total.....	5,320	1,198	22.5	1,598	30.0	230	4.3	563	10.6	1,731	32.5

¹ Includes general purpose and special purpose traineeships.

MR. COHEN. Now I can give you also the figures of our university about the total impact of these changes. The total impact on the University of Michigan this year is about \$9 million, which is approximately 10 percent of our general revenue funding.

Well, now, it remains to be seen what the Governor and the State legislature are going to do.

Our university has taken a position in the light of the Nixon administration proposals that we will submit a supplementary request to the Governor and the legislature, because what Mr. Nixon in the budget is saying, if you get a cut, go to your State and see how much they will match up.

Chairman HUMPHREY. And let the State raise the taxes.

Mr. COHEN. Yes. I want to see before I make a conclusion, what really happens as a result of that.

And I think there is an area for your further exploration.

And I believe, therefore, Mr. Chairman, these three areas of a re-examination of the role of the impact on the States and on the universities is important, but more so, since the argument is made that the States now have general revenue sharing, I think you need a much more detailed examination in the future of the impact on general revenue sharing of the congressional intent. Congress never intended the money on general revenue sharing to be used as an argument for a reduction in the other programs. It was my understanding at the time that general revenue sharing was going to be additive to what the Congress—and you recall, you and I were in various meetings at one time in which there was a good deal of heat about the matter, in which I said, I thought the mayors and the Governor were going to be on very dangerous grounds in general revenue sharing.

And I believe that what the President has done in his budget is to use that \$6 billion target as an excuse to make cuts that the Congress never intended, and I believe that is a misinterpretation of the congressional intent.

Chairman HUMPHREY. Thank you very much, Mr. Cohen.

I am looking over a series of questions that we have developed to ask to you, but in looking them over, I see that many of them you have already given your thoughts on.

You have had a chance, I gather, to see OMB's justifications.

Mr. COHEN. The individual ones?

Chairman HUMPHREY. Yes.

Mr. COHEN. Yes, sir. My prepared statement is based upon a reading of every single one of those that your staff submitted to me, and is the basis for my conclusion that I made that these justifications are inadequate as a basis for intelligent budget decisions.

Chairman HUMPHREY. Before I go on with my further question, I am going to ask Mr. Thurow to make his statement.

I understand that you have no prepared statement, but you do wish to make an oral presentation.

Please proceed, Mr. Thurow.

STATEMENT OF LESTER THUROW, PROFESSOR OF ECONOMICS, MASSACHUSETTS INSTITUTE OF TECHNOLOGY

Mr. THUROW. I will be brief, Mr. Chairman.

A couple of weeks ago, Mr. Jasinowski of your staff said that you were preparing to receive a budget document from the Office of Management and Budget. He requested that I hold myself ready to read it, I was not to comment on it from the point of view of which programs were good and bad, but to evaluate its technical economic expertise.

I said I would be glad to read it. If there was anything to say I would be glad to come down and say it.

After I got the document and read it, I called him back and I said, "I don't want to come down; there is nothing to say."

And he responded, "You are from Massachusetts; you have to work harder and try harder and work your way back into the Union."

I went back to this document and worked very hard on it.

I am still not at all sure that there is anything to say.

There are a few things, however, that I found.

One of the few places where there is any reference to technical studies is in the Hill-Burton Act where it says, there are many studies in existence pointing to a surplus of hospital beds.

That is absolutely a true statement. But then an interesting question arises, why aren't those studies appended to this document?

I think I have an answer to that question.

Most of those studies say that the key missing ingredient is allied health manpower.

But those programs are also to be cut. If you were to append the studies showing that would say that cutting Hill-Burton fund for urban hospitals is a good thing, you would also be appending studies saying that we have a critical need for health manpower. You would be caught coming and going.

If you go through the OMB studies on a technical level there are several recurring themes that I would like to examine.

Often a program is abolished because it is "small, scattered, and inequitable." By this they mean that it isn't a national program that benefits everybody.

If that is a justification, it is more of a justification for making a program a national program than for abolishing it. But it is often used as a justification for abandoning programs.

Frequently a program is discontinued on the grounds that it won't affect the host institution since the program is small and only represents 3, 5 or 10 percent of its budget. That may be true in each individual instance, but you get into problems when we start adding up those 3, 5, or 10 small fractions of your budget.

I would remind you that if you cut your fingers off one at a time, you don't die, but after you cut each individual finger off, your toes off, your ears off and your nose off, then you are not really Senator Humphrey or anybody else.

Chairman HUMPHREY. You are the Federal budget.

Mr. THURLOW. Or the Federal budget.

Smallness is often used as a justification for cutting a program, but smallness is not a good technical argument unless you maintain that the Federal Government is too big to administer small programs. Such an argument is not made.

Chairman HUMPHREY. One point that was brought to my attention when I was visiting with Mr. Moos and our top people at the university was what this budget does to the graduate school level, which is, of course, at the very heart of our standards of excellence, and hopefully our standards of better performance in the future, that so much of it is directed at the trainees and the grant programs that go to the graduate schools, that cuts go right into the very heart of not only medical schools, but of education, of science and technology, of engineering, right down across the board.

And it has a greater impact upon the graduate schools in many instances than it does upon even the undergraduate.

Mr. THURLOW. Along the same lines, I think, in judgment, they often treat programs as if they had no multidimensional objectives.

To justify cutting the National Defense Education Act they say that there is no longer a shortage of university teachers. That is quite true, but that act also had the purpose of increasing more research and knowledge. I assume that there is still a shortage of knowledge and research in many areas.

If you cut the graduate schools, you are cutting something beside the supply of college teachers. Regardless of what you think about the supply of college teachers, there are other justifications for the program that are not discussed at all.

Frequently, programs are criticized because they do not go to the needy.

By this they mean the poor. I think we have to recognize that the Federal Government is in business to help a lot of people other than the poor. Because the program goes to the middle classes doesn't necessarily make it a bad program.

Chairman HUMPHREY. Might I add that the administration in the past has been condoning programs because they went just to the poor; they won elections on that.

Mr. THURLOW. There may be a dozen times in this analysis where they use the phrase, it doesn't go to the needy.

Probably the most frequent justification in all these analyses is, the program isn't needed because these people can always appeal to the State and local government for funds if it is a good program.

Here is where we had better start and think a little bit about the fiscal federalism.

While it is clearly nonsense to think of the Federal Government doing everything, it is also clearly nonsense to think of State and local governments doing everything.

I would just like to remind you of a few rules that public finance economists have developed since the Middle Ages.

One of the prime functions of a federal government in a federal system is to equalize resources across rich and poor states.

General revenue sharing has something to do with this perfectly good and noble goal. I would point out, however, that from the point of view of an economist, there is almost no difference between general revenue sharing and special revenue sharing. As long as the State and local governments have the right to move their own funds around they can essentially turn special revenue sharing into general revenue sharing.

Another Federal function rather than State or local function is income redistribution, social security, welfare, et cetera.

These are quite properly Federal programs and not State programs. States can't run them efficiently, given a national economy where people can move across State borders.

Chairman HUMPHREY. You talk faster than I do, and I don't want to overtax our stenographer here.

Will you kindly subdue it.

You have got time.

Mr. THURLOW. Another area of Federal responsibilities, lies in what economists call externalities. This simply means what goes on in one State affects another.

I grew up in Montana, in this document a lot of the sewage and sewerage programs are proposed for abolition. I would remind everybody that the rational thing for the State of Montana to do with respect to its sewage is dump it in the Missouri River and let the States of North Dakota, South Dakota, Iowa, and everybody on down the river, enjoy it. The river doesn't flow from south to north; it flows from north to south.

There is no way that State and local governments can adequately handle the problem of water pollution. This has to be a Federal responsibility, since it is rational for every State to dump its pollution in the water and let other States enjoy it.

Chairman HUMPHREY. I would just like to respond, while I have you on that topic, that the new Secretary of HUD, Mr. Lynn, discovered a new phrase "Pork Barrel"; he hasn't been here in Washington very long.

And he wrote a piece for the New York Times, Op Ed Section, and they get a lot of copy in that Op Ed Section, I might add.

They have people writing the stuff up, it is a boilerplate business that they have going.

And he called this sewer and water grant program for rural units pork barrel.

And I might add that I listened to two network shows, and they picked it up too.

And I might also add that the commentators that picked it up were men of considerable reputation. And they ought to be ashamed of themselves.

If you think that it is pork barrel to put a sewer and water system out at Waverly, Minn., rather than see a beautiful lake be contaminated; you are either a damned fool or an idiot. It is just not to be talked about as pork barrel.

And when the President vetoed that water and sewer program for rural America, what he simply said was that if you live in small towns in rural America, you can just go on out to the old outhouse, and you can have your cesspools, and you can contaminate your rivers and your waters and your lakes, and you can do it on the basis of all power to the people back home.

I have been waiting for a chance on this one, and I am sorry it has to be you. But I am going to get him yet.

Mr. THURLOW. I think the important thing to recognize here is that it is not pork barrel. Regardless of the level of general revenue sharing, general revenue sharing won't solve the problem of sewage. It is rational for one State to dump its sewage on the next State. Sewage just has to be a Federal responsibility, because States are going to do what is right for their own State. In Montana that means, dump your sewage on North Dakota. That is the cheapest way to handle the problem.

Chairman HUMPHREY. We ought to have a river basin treatment program, that is just exactly what we need, a river basin treatment program, with a sewer program, because the river basin is the drainage system. And we have got to get away from these little parochial projects that we have into a river basin concept.

I have offered such legislation. I obviously wouldn't get very much attention right away, because it takes a little time around this town to

get any attention: you have got to get a 2 by 4 and start hitting people over the forehead with it before they understand that there is something new in the offing.

But something new is not to back up and do nothing.

Somebody said here, the other day, that when the President took the oath of office and the bells were ringing, that they ran out the new and rang in the old.

And I think that is maybe true.

We have finally gotten back to what is the oldest system of budgeting, namely, cut it out, ignore the responsibilities, disengage.

And this water and sewer business is a classic example.

Now, there are two vetoes that I think are beyond any sense whatsoever.

I know that Mr. Cohen could have commented on it. One is on the vocational rehabilitation services.

And I want the President to know, and his entire administration, I shall never forgive them for it as a Senator as long as I am here I shall harass them for it, from here on out, it is cruel, inhuman, uneconomic and stupid, and it ought never to have been condoned, and the Senate ought to be ashamed of itself for not having overridden it.

The second one is on the water and sewer program. I could prove arithmetically that every dollar you put in that vocational rehabilitation program will come back to the Treasury three-fold in taxes and work individual human betterment by a factor of 20 to 1.

It is just unbelievable that we have a veto of that.

And interestingly enough, within the same period of time that they were vetoing that because we couldn't afford it, they gave the Litton Industries \$183 million interest-free loan for 1-year, no interest whatsoever.

You talk about a juicy one, that is a nice one.

And they could have taken care of the water and sewer program out of the surplus in the Committee To Re-Elect the President.

Mr. THURLOW. You also have to think seriously as to whether there are any social services that should be universal, in the sense that every American should be able to enjoy them, or whether everything can be delegated to the States?

I would think that you would probably be willing to say, and I certainly would be willing to say, that there are certainly public services where the national government has an interest in seeing that everybody gets some minimum quantity even though they are typically provided by the State.

One of those areas is education. What would we do if a State went out of the business of having schools?

My guess is that although a recent Supreme Court decision does say that a State can legally abolish all schools, as a Nation we couldn't afford to let the State of Minnesota abolish all schools even if the State of Minnesota voted to abolish all schools.

There is some kind of a national responsibility to make sure that certain minimum levels of public service exists in all of the States.

All of this means that general revenue sharing is not a solution to all domestic problems. It is not a solution to all domestic problems, even if you are the world's biggest believer in general revenue sharing.

The President likes to talk about self-made men, but I would like

to refer you to George Bernard Shaw's comment on self-made men. He said, "Show me a self-made man and I will show you a poorly made man."

Chairman HUMPHREY. The horror of unskilled labor is what you are talking about.

Mr. THURLOW. We all depend on other people to become as we are. If a self-made man does exist, he is kind of a lousy man.

I think we are retreating from community responsibility. To say, let the State government do it, or the local governments do it, or each individual citizen do it, doesn't make sense from the viewpoint of the economy.

People have been commenting today about how long they would put this on the totem pole in terms of flunking it as a document. I was asked to look at the analytical side of it. I don't think it is a question of flunking or not flunking. I don't think there is any analysis there; it is zero. That is a good deal below the flunking level.

Chairman HUMPHREY. I thank you very much.

We are going to try to get some more information from OMB. It is very difficult.

I saw the prime minister of Italy yesterday, and it was no problem at all. But I can't find the Director of the Office of the Budget. And I will bet you that I will have more time with Brezhnev when he comes here than we will be getting from Mr. Ash.

It is a very interesting government we have these days. It is a great secret.

Mr. COHEN. May I comment a little bit further on your point about the graduate school?

Chairman HUMPHREY. Yes.

Mr. COHEN. I think that this is a very, very important point, not merely for this year or next year, but this is a serious problem for the whole United States of America for the next 5 or 10 or 15 years, because a deterioration of our graduate schools, and a function of graduate schools is not something that can be just turned around again in one year, or if a new administration came in, it couldn't remedy the situation that is now happening in 1 year or 2 years, or maybe 3, because of the great length of time that it takes to prepare the kind of people, fund them and develop the program.

So that the scrapping of programs that affect the graduate programs are going to affect this Nation deeply in my opinion, for a large part of the remainder of this decade.

The combination of the various programs that I have indicated are being eliminated, which is the foreign language center programs that I discussed, the library program, the public health programs—and I could go on—of course, the elimination of the land grant money and the other is going to have such a serious impact upon the competency of this Nation to develop trained scientific technological intellectual manpower that I am prepared to say that this administration is adversely affecting the economic and scientific and technological potentialities of this Nation for the rest of this decade.

Now, if you follow up Professor Theodore Shultz' studies which show that approximately 30 or 40 percent—I don't know that it is a scientific figure, but a large part of our economic growth has come from increased educational and intellectual attainment, and our graduate

schools in the country are the focal point for the development of that, and it affects the whole teaching and scientific and research potentialities.

So I think what you have here is much more than a serious problem; you have a 1-year budget which will have a very serious impact upon the whole development of this Nation in terms of its international as well as national significance.

And I think that is the most serious indictment that I can make of the Nixon budget.

Chairman HUMPHREY. Mr. Cohen, I am very grateful to you for having taken a look at this budget analysis for the so-called budget evaluations of the OMB, and also studying very carefully the budget itself; particularly in the areas of human resources, health, education, and welfare.

You have brought to our attention not only the matters that relate to the needy and poor, the sick, but items like library services, for example, assistance to State departments of education, and community mental health centers.

And these are matters that affect the lives of everybody.

And I must say that I think it is a sad commentary upon this country to say that the country cannot afford to have books for its children in the libraries, or that the Federal Government can't afford to assist in that kind of program, particularly when we know that the libraries are at the very heart of our education system.

And we know, as you have indicated today, that a large percentage, really a shameful percentage of our elementary schools, are without adequate library facilities or no facilities at all.

It is a small item. But I think that it tells something about our value system. And when the OMB, the Office of Management and Budget, with the President's approval, can recommend slashing the budget, budget items, for books and library services, then there is something wrong.

Mr. COHEN. May I also say, following up a point that Professor Thurow has mentioned, that several of the items that I have indicated are a relatively very small amount. But the fact that they are small should not overlook the tremendous multiplier effect they have in their impact upon State, local, private funds.

It is the Federal leadership that takes place many times in stimulating other institutes and agencies in our society to do something where there is a national need.

So just because an appropriation is a small amount, and it looks like it can easily be knocked off, there shouldn't be a misconception about the vast significance of this kind of an appropriation.

And I think this is a very, very important point.

I disagree with the administration about its broad attack on categorical programs.

Categorical programs with a very small amount of money can have a tremendous multiplying effect.

Let us take vocational rehabilitation education, which was first started in 1920, and as you pointed out, brings vast cost effectiveness returns.

It is a categorical program. If we hadn't had that categorical starting at a small program, the States and the localities and private areas wouldn't have developed the way they have.

I am prepared to say that not only should many of these categorical programs like libraries and vocational rehabilitation and recreational education be continued as against the special revenue-sharing proposals, but that one cannot appraise the effectiveness of the appropriations unless you really analyze what impact it has had on the States, the Governors, the legislature in raising money of their own.

That aspect is completely overlooked in any analysis that I have seen.

As a matter of fact, where it is mentioned, where the States have risen to it, they say, now, we can withdraw it, which completely overlooks the fact that that is really taking the national leadership out of the program, which may seriously affect the future of the program.

Chairman HUMPHREY. The other point that I would just add, as we are concluding this day's testimony, is that the Federal Government has the ability to raise revenue on a much more equitable basis in most instances than your State governments.

And I think that when I get right down to looking at this budget, what you see are two things:

First of all, the refusal of the administration to come to us with a tax reform program, despite the unconscionable inequities in our tax laws that are an affront to the citizenry of this country.

And the second thing is to put the problems back on the States, knowing that the problems are here; the problems back on the States and the localities, compelling State governments and local governments to raise funds, back on the old property tax base, or on sales taxes and other forms of **regressive taxation**.

We have just taken a look at the tax pie, so to speak, and we find that the share of the total amount of revenues coming into the Federal Treasury paid out of corporate profits is dropping; it has gone down 5 or 6 percent here in the last 4 or 5 years.

The share of Federal revenue paid by the people who are the less prosperous people is going up, in payroll taxes and income taxes.

So that the people that can afford to pay the most are paying less and the people who can afford to pay less are paying more.

And then on top of that this administration is going to foist back on, push back on the localities the problems and the burden of raising the funds to meet those problems on a tax basis that just is not capable of doing it on an equitable standard:

So that it becomes quite obvious what we have. The rich get richer and the others get less.

Mr. THURLOW. Maybe I can bring up one other thing:

It is a case of killing the goose that lays the golden eggs.

At the moment there is a great interest in trading agricultural commodities on the international market and helping our balance of payments.

And we hold up our agriculture as a model for the rest of the world.

Two of our cuts here are cutting agricultural research and agricultural extension.

If you look at galloping food prices, and the desire to export a lot more food at the same time, then it would seem to me that you would say, unless you could really prove that those programs were ineffective—nobody wants something that is ineffective—then you would say

that we would expand those programs, because we want to generate food resources in the future, not only to food merchants, but for sales to foreigners.

And yet at the same time we are cutting back the extension services which we hold up a model for the rest of the world as to how to run agriculture.

Chairman HUMPHREY. We also have the situation of the vocational technical schools which have really begun to move in this country.

They are highly respected, and they became an accepted form of education in our type of society. They are desperately needed.

And they have been funded to a large degree out of Federal assistance, and I believe the Vocational Education Act of 1963, first, and then as amended and expanded in 1968, gave very substantial funding to the vocational education program.

And this has meant jobs, it has meant training, it has meant income.

In my State of Minnesota, we have some of the finest vocational technical schools in the country. All over the Nation they are proud of them.

And the rate of jobs of a graduate of those schools is really most encouraging. They run as high as 90 and 95 percent of the graduates getting jobs, a day after they leave that school; and yet this budget doesn't add to those schools, to the contrary, it cuts back on the total outlays that are made available for this kind of education.

Mr. THURLOW. Let us assume for the moment that maybe you could even show that those vocational schools didn't get people a lot of higher incomes later on. Even in this case there are a lot of studies that show that there are people who become literate in the vocational technical school that wouldn't have become literate in the straight academic school.

There is a lot of evidence that a vocational school can help in the process of learning to read and write, because people will be motivated in that environment and will not in another. Schools do a variety of things.

Before we can say they are a success or failure we have to say what are the dimensions in which they are a success or failure.

If I see some evidence proving to me that vocational schools were not a success on the ground of creating more jobs I still might want them on the grounds that they are great success in teaching people to read and write.

You just can't point to a failure of a school system—I assume everyone has some dimension on which it is failing—and therefore abolish the school system.

Ask what are they doing well. If they are not doing anything well, you have to think of what you can replace them with.

But too often in these analyses, they pick out a dimension and say this program is failing on this dimension and then assume that that is the only dimension that the program has.

Chairman HUMPHREY. Very helpful.

Mr. COHEN. Could I add just one point on that.

I, of course, very strongly support increased funds for vocational education, but I think the administration's proposal to put vocational education into special revenue sharing for all education would be a disaster for vocational education, because vocational education has to be

still husbanded and safeguarded and promoted as a kind of separate program because of the way our educational system in this country is sucked dry.

Chairman HUMPHREY. That's correct.

Mr. COHEN. So if you are interested, as I am, and as I know you are, in accomplishing more for vocational education in the future, then I think it should not be included in the special revenue sharing educational program.

Chairman HUMPHREY. Gentlemen, we want to thank you very, very much.

By the way Mr. Cohen, we are going to have a hearing on the whole subject of health, health costs, health care, as it affects consumers. And I am sure we could do this obviously in the area of education.

And we are coming back to that. And we will also be having a hearing which goes beyond your immediate consideration in the field of housing.

We have meetings already with individuals in that area that are deeply concerned over the administration's budget on housing and it is going to drive housing prices right smack bang out of the ceiling.

And we will also very shortly for the record have hearings upon fuel oil and gasoline because of the very serious problems that we face, particularly, might I say, in mid-America, with reference to the availability of gasoline and fuel oil for our independent industries, home, and other uses.

Thank you. The subcommittee stands adjourned.

[Whereupon, at 12:05 p.m., the subcommittee adjourned, subject to the call of the Chair.]

