

churches, and other private groups (nonprofit or profit) that seek to relieve the distress of the poor. Private resources will also include business enterprises that help rehabilitate or restore sections of the city and thereby create job opportunities.

Federal Government assistance comprises two types: (1) The complete array of all available categorical grants in the fields of housing, renewal, transportation, health, education, welfare, economic opportunity, and related programs; and (2) supplemental grants (available pursuant to section 6 of the proposed legislation) that may be used to finance any activity, project, or special program that is included within the comprehensive city demonstration program as approved. The supplemental grants may be used for activities that are completely unrelated to any existing categorical Federal grant-in-aid program, or they may be used to pay all or part of the non-Federal contribution required under a Federal grant-in-aid program.

Set forth below is a hypothetical city demonstration program for a city with a population of somewhere between 500,000 and 1 million persons. The figures used in the illustration do not relate to any particular city but, instead, are indicative of activity levels found in various cities on the basis of available information. The demonstration program, in effect, is an array of intended expenditures. These expenditures are broken down into three major components: (1) federally assisted activities; (2) municipal and State public expenditures (unrelated to Federal assistance programs); and (3) expenditures by the private sector of the economy.

Federally assisted activities that are part of a demonstration program can be classified into three groups: (a) capital improvements (such as public works or housing) within the demonstration area; (b) public and social services for residents within the demonstration area; and (c) other capital improvements in other parts of the city that are demonstration-program connected in the sense that there is a flow of benefits from such capital improvement projects to those residing in the demonstration area; for the latter only a prorated share of such capital improvement expenditures are counted as part of the demonstration program.

In the example shown below, the annual outlays for the hypothetical city demonstration program are \$81.5 million, or \$407.5 million over the 5-year period. Of the \$81.5 million per year, 52.5 million reflect total expenditures (Federal, State, and local) under federally assisted activities, \$16.6 million reflect municipal and State public expenditures (unrelated to Federal assistance programs), and \$12.4 million reflect expenditures for private housing construction and rehabilitation, private nonresidential construction, and outlays by private non-profit organizations.

The \$81.5 million for the annual expenditures is obtained from the Federal and local shares of regular grant-in-aid programs, from State, local, and private activity support and from the supplementary grant funds authorized by section 6(c) of the bill.

2. Derivation of special grant entitlement

Section 6(c) of the proposed legislation prescribes that the supplementary grants for the comprehensive city demonstration program may not exceed 80 percent of the aggregate amount of non-Federal contributions otherwise required to be made to all projects or activities assisted by Federal grant-in-aid programs, which are undertaken in connection with the demonstration program. For the purpose of the illustration, three types of non-Federal contributions are shown: (a) non-Federal shares for federally aided capital improvement projects, such as urban renewal, public housing, hospitals, neighborhood centers, parks, and libraries, located within the demonstration area, which are fully counted in the special grant entitlement calculation; (b) non-Federal shares of federally aided public and social services, estimated on a per family basis, multiplied by the 24,000 families assumed to be living in the demonstration area (such services include the program activities of the Office of Economic Opportunity, child and elderly welfare and health services, vocational rehabilitation and manpower training); and (c) non-Federal shares for federally aided capital improvement projects located in other parts of the city that are undertaken in connection with the demonstration program, which are counted on a pro rata basis reflecting the population of the demonstration area in relation to the city's total population (assumed to be 10 percent), adjusted in some instances where the incidences