

(The information requested follows:)

DERIVATION OF \$2.3 BILLION ESTIMATE FOR SUPPLEMENTARY GRANTS

The basic financial element in the President's proposal for the demonstration cities program is the authority for supplementary grants equal to 80 percent of the local share of Federal grant-in-aid programs that are utilized in connection with a demonstration city program. Estimates were made of the local share of such programs in cities of different sizes that might constitute the base against which 80 percent would be applied to determine the amount of the supplementary grant.

Such estimates were made for cities of a few size categories. It was assumed that about 10 percent of the city population might reside in the demonstration area and statistically the average family size would be 3.5 persons (except that in cities of under 50,000 the entire city would be a demonstration area but only 3,000 families would receive social service and welfare assistance).

Three basic components of Federal grant-in-aid assistance were estimated. After examining the levels of major types of federally assisted capital improvement programs in a typical city, estimates were made of capital improvement programs that would be concentrated in or serving people from the demonstration project area. An average per family amount of social service and welfare expenditures under Federal grant-in-aid programs was then estimated and used to arrive at a total social component figure.

On the basis of the statutory matching grant formulas for each categorical Federal grant-in-aid program involved, the local matching share was derived and 80 percent was applied. When this procedure is used for 60 to 70 cities of different size classes, approximately \$2.3 billion will be required to fund the program.

Both the size distribution of cities and the dollar amount per city will, of course, vary from estimated amounts used in a hypothetical framework that is used to approximate the dollar size of the program, but the \$2.3 billion figure was the judgment figure arrived at for a program of 60 to 70 cities in all size ranges.

TOTAL PROGRAM SUPPORT

The total activities involved in the demonstration program will be much more than is represented by the \$2.3 billion figure. The Federal share of grant-in-aid programs is larger than the local share in almost all instances. Therefore, as a minimum, the total impact would be more than twice as great as the \$2.3 billion, or at least \$5 billion.

When consideration is given to additional State, local, and private program activities that will be brought into the demonstration area, the total impact might again be twice multiplied. For example, if rent supplement or below-market interest rate housing is built for low-income people in the demonstration area, it will involve either private financing with FHA mortgage insurance or FNMA special assistance funds. It will not involve a Federal grant-in-aid program with matching Federal and local shares. There will also be a good deal of private volunteer welfare work activity which does not come under any Federal grant-in-aid activity. It is reasonable, therefore, to estimate that the total impact of the demonstration cities program over 5 or 6 years would be between \$5 and \$10 billion.

Mr. ASHLEY. You referred to outbursts of last summer which we know are a matter of deep concern to you as they are to all of us. Isn't this the kind of situation that this program is and should be directed to counter?

Secretary WEAVER. Yes. I would say, if you recall the President's message, when this program was first announced, one of the objectives of the program was to give hope to those persons who are now in the slums and blighted areas.

Mr. ASHLEY. How does this bill, then, distinguish between a Watts type situation and a situation in another part of the country where you don't have the incipient revolution and bloodshed that you have in a Watts or a Harlem?